

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
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SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Lee Ann Grimley	Board President	2017
Todd Nulle	Vice President	2019
Laura Riley	Board Member	2019
Anthony Dlouhy	Board Member	2019
Deanna Wagaman	Board Member	2017
School Officials		
Pat Hocking	Superintendent	2017
Stacey Matus	District Secretary/Treasurer	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

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Muscatine, Iowa 52761
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Independent Auditor's Report

To the Board of Education of
Springville Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District, Springville, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Springville Community School District as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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 my 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, I have also issued my report dated March 19, 2018 on my consideration of Springville Community School District's internal control over financial reporting and on my 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 my 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 Springville Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Springville 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 \$4,433,576 in fiscal 2016 to \$4,625,768 in fiscal 2017, and General Fund expenditures increased from \$4,191,675 in fiscal 2016 to \$4,601,886 in fiscal 2017. The District's General Fund balance increased from \$761,082 in fiscal 2016 to \$782,544 in fiscal 2017, a 2% increase.
- The increase in General Fund revenue was primarily due to an increase in property tax revenue as a result of an increase in taxable valuations.
- General Fund expenditures increased \$410,211 from fiscal 2016. The District's General Fund ending balance increased by \$21,462; basically, unchanged from what was reported in the June 30, 2016 MD&A. The General Fund balance at June 30, 2017 was \$782,544 or 17% of the General Fund expenses.
- The District's unspent authorized budget increased by \$60,427 from \$1,595,620 (FY16) to \$1,656,047 (FY17).
- The District's General Fund solvency ratio (Unassigned fund balance + Assigned fund balance/General Fund revenues minus AEA Flow-through) at June 30, 2016 was 13.79%. The District's General Fund solvency ratio at June 30, 2017 was 13.54%, remaining stable.
- The State of Iowa approved an increase in Supplemental State Aid of 2.25% for the 2016-17 school year. The District had a decrease in enrollment of 8.4 students, which resulted in the District being on the Budget Guarantee, generating \$26,527 in new money.

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 Springville 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 Springville Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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 preschool 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 it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

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

financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Funds and the Debt Service Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Preschool Fund and one internal service fund to for its partially self-funded insurance program.

The required financial statements for 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016.

Figure A-1
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	\$ 6,123,392	\$ 4,364,638	\$ 56,853	\$ 43,759	\$ 6,180,245	\$ 4,408,397	40.19%
Capital assets	8,830,878	4,892,119	24,597	30,717	8,855,475	4,922,836	79.89%
Total assets	<u>14,954,270</u>	<u>9,256,757</u>	<u>81,450</u>	<u>74,476</u>	<u>15,035,720</u>	<u>9,331,233</u>	61.13%
Deferred outflows of resources	476,240	241,254	18,807	8,211	495,047	249,465	98.44%
Long-term liabilities	8,990,175	4,394,559	54,504	43,584	9,044,679	4,438,143	103.79%
Other liabilities	1,219,216	701,541	18,530	14,269	1,237,746	715,810	72.92%
Total liabilities	<u>10,209,391</u>	<u>5,096,100</u>	<u>73,034</u>	<u>57,853</u>	<u>10,282,425</u>	<u>5,153,953</u>	99.51%
Deferred inflows of resources	2,371,789	2,390,673	12,879	7,503	2,384,668	2,398,176	-0.56%

Net position							
Net investment in							
capital assets	3,072,783	2,072,119	24,597	30,717	3,097,380	2,102,836	47.30%
Restricted	563,999	904,795	-	-	563,999	904,795	-37.67%
Unrestricted	<u>(787,452)</u>	<u>(965,676)</u>	<u>(10,253)</u>	<u>(13,386)</u>	<u>(797,705)</u>	<u>(979,062)</u>	-18.52%
Total net position	<u>\$ 2,849,330</u>	<u>\$ 2,011,238</u>	<u>\$ 14,344</u>	<u>\$ 17,331</u>	<u>\$ 2,863,674</u>	<u>\$ 2,028,569</u>	41.17%

The District's total net position increased by approximately 41%, or \$835,105 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

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 decreased \$371,885, or approximately 41% from the prior year. The decrease in net position was primarily the change in the Other Capital Projects Funds. This decrease is due to continued construction expenses incurred by the District during fiscal year 2017.

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 \$212,446, or approximately 22%. The increase in unrestricted net position was primarily a result of increased assets in the General Fund and Capital Project Funds.

Figure A-2 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-2

	Change in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues							
Program revenues							
Charges for service and sales	\$ 850,840	\$ 726,112	\$ 150,329	\$ 146,264	\$ 1,001,169	\$ 872,376	14.76%
Operating grants	755,205	702,688	86,886	79,146	842,091	781,834	7.71%
General revenues							
Property tax	2,316,616	1,839,734	-	-	2,316,616	1,839,734	25.92%
Statewide sales, services and use tax	344,549	351,214	-	-	344,549	351,214	-1.90%
Unrestricted state grants	1,640,967	1,677,217	-	-	1,640,967	1,677,217	-2.16%
Contributions and donations	47,071	12,991	-	-	47,071	12,991	262.34%
Unrestricted investment earnings	17,571	4,789	84	80	17,655	4,869	262.60%
Other	<u>4,501</u>	<u>17,269</u>	<u>-</u>	<u>-</u>	<u>4,501</u>	<u>17,269</u>	-73.94%
Total revenues	<u>5,977,320</u>	<u>5,332,014</u>	<u>237,299</u>	<u>225,490</u>	<u>6,214,619</u>	<u>5,557,504</u>	11.82%

Program expenses							
Governmental activities							
Instruction	3,160,476	2,862,898	-	-	3,160,476	2,862,898	10.39%
Support services	1,611,553	1,636,451	-	-	1,611,553	1,636,451	-1.52%
Non-instructional programs	-	-	240,286	217,771	240,286	217,771	10.34%
Other expenses	<u>367,199</u>	<u>858,764</u>	-	-	<u>367,199</u>	<u>858,764</u>	-57.24%
Total expenses	<u>5,139,228</u>	<u>5,358,113</u>	<u>240,286</u>	<u>217,771</u>	<u>5,379,514</u>	<u>5,575,884</u>	-3.52%
Change in net position	838,092	(26,099)	(2,987)	7,719	835,105	(18,380)	-4643.55%
Net position beginning of year	<u>2,011,238</u>	<u>2,037,337</u>	<u>17,331</u>	<u>9,612</u>	<u>2,028,569</u>	<u>2,046,949</u>	-0.90%
Net position end of year	<u>\$ 2,849,330</u>	<u>\$ 2,011,238</u>	<u>\$ 14,344</u>	<u>\$ 17,331</u>	<u>\$ 2,863,674</u>	<u>\$ 2,028,569</u>	41.17%

In fiscal year 2017, property tax and unrestricted state grants accounted for approximately 66% of governmental activities revenue while charges for service and sales and operating grants and contributions accounted for almost 100% of business type activities revenues. The District's total revenues were \$6,214,619 of which \$5,977,320 was for governmental activities and \$237,299 was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 12% increase in revenues and a 4% decrease in expenses. The increases in revenues are largely due to an increase in open enrollment tuition, property tax revenue, and federal sources. The decrease in expenditures occurred in support services, student transportation, PPEL fund expenditures, and SAVE fund expenditures.

Governmental Activities

Revenues for governmental activities were \$5,977,320 and expenses were \$5,139,228 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, non-instructional programs and other expenses, for the year ended June 30, 2017 compared to those expenses for the year ended June 30, 2016.

Figure A-3

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016- 2017	2017	2016	Change 2016- 2017
Instruction	\$ 3,160,476	\$ 2,862,898	10.4%	\$ 1,720,946	\$ 1,608,009	7.0%
Support services	1,611,553	1,636,451	-1.5%	1,602,230	1,623,445	-1.3%
Other expenses	<u>367,199</u>	<u>858,764</u>	-57.2%	<u>210,007</u>	<u>697,859</u>	-69.9%
Total expenses	<u>\$ 5,139,228</u>	<u>\$ 5,358,113</u>	-4.1%	<u>\$ 3,533,183</u>	<u>\$ 3,929,313</u>	-10.1%

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$850,840.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$755,205.
- The net cost of governmental activities was financed with \$2,661,165 of property and other taxes and \$1,640,967 of unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2017 were \$237,299 representing a 5% increase over the prior year, while expenses totaled \$240,286, a 10% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund for 3 year olds. Revenues of these activities were comprised of charges for services, tuition, federal and state reimbursements and investment income. The increase in revenue for the 3 year old Preschool Fund is due to an increase in tuition revenue as a result of enrollment growth and increase in tuition rates for the 3 year old program and all day 4 year old program.

The increase in revenue from FY16 to FY17 in the School Nutrition Fund is due to the increase in meal receipts. The increase in expenditures in the Nutrition Fund and Preschool Fund is attributable to the increased cost of salaries and benefits.

INDIVIDUAL FUND ANALYSIS

As previously noted, Springville 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 \$2,566,052, well above last year's ending fund balances of \$1,427,392. The primary reason for the increase of \$1,138,660 in combined fund balances in fiscal 2017 is due to an increase in total assets to the construction project fund, SAVE, and other capital projects.

Governmental Fund Highlights

The District's improving General Fund financial position is the result of many factors but the biggest factor is the district's effort to reduce General Fund expenditures where and when possible. Total revenues (\$4,625,768) outpaced total expenditures (\$4,604,307) ensuring an increase in fund balance at year end.

The General Fund balance increased from \$761,082 to \$782,544, due in part to the increase in property tax valuations and federal revenue sources, and the concerted effort to monitor expenditures.

- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$496,658 to \$668,685 due to increased revenues.
- The Capital Projects - Construction Project Fund balance increased from \$(126,237) in fiscal 2016 to \$681,593 in fiscal 2017 due to the issuance of general obligation bonds.

- The Debt Service Fund balance increased from \$20,533 in 2016 to \$25,232 in 2017.

Proprietary Fund Highlights

Enterprise Fund net position decreased from \$17,331 at June 30, 2016 to \$14,344 at June 30, 2017, a decrease of approximately 17%. The decreased net position is due largely to the increase in expenditures, pension related liabilities, and liabilities related to salaries and benefits.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year ended June 30, 2017.

The District's total revenues were \$231,043 more than total budgeted revenues, a variance of approximately 3%. The most significant variance resulted from the District receiving more in federal and local revenue sources than anticipated and a significant increase in student activities and sales; tuition and transportation.

Total expenditures were \$1,089,680 less than budgeted, due primarily to expenditures for the elementary construction project

In spite of the District's budgetary practice, expenditures in the non-instructional programs functional area exceeded the amount budgeted due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$8,855,475, 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-4) This represents a net increase of approximately 80% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$173,181.

The original cost of the District's capital assets was \$13,605,552. Governmental funds account for \$13,496,483, with the remainder of \$109,069 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the construction in progress category, which increased from nothing at June 30, 2016 to \$3,949,516 at June 30, 2017 due to the construction project started during fiscal year 2017.

Figure A-4
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
Land	\$ 453,369	\$ 453,369	\$ -	\$ -	\$ 453,369	\$ 453,369	0.00%
Construction in process	3,949,516	-	-	-	3,949,516	-	100.00%
Buildings and improvements	4,062,456	4,162,092	-	-	4,062,456	4,162,092	-2.39%
Site improvements	163,227	58,765	-	-	163,227	58,765	177.76%
Furniture and equipment	<u>202,310</u>	<u>217,893</u>	<u>24,597</u>	<u>30,717</u>	<u>226,907</u>	<u>248,610</u>	-8.73%
Totals	<u>\$8,830,878</u>	<u>\$4,892,119</u>	<u>\$24,597</u>	<u>\$30,717</u>	<u>\$8,855,475</u>	<u>\$4,922,836</u>	79.89%

Long-Term Debt

At June 30, 2017, the District had \$9,044,679 in general obligation and other long-term debt outstanding. This represents an increase of approximately 104% over last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of "A-" assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District received special permission from the State of Iowa allowing its outstanding general obligation debt to exceed its constitutional debt limit of approximately \$6.6 million.

On July 1, 2016, the District issued \$4,725,000 of general obligation bonds to finance construction of a new elementary building.

Figure A-5
Outstanding Long-term Obligations

	Total		Total Change
	School District		
	June 30,		
	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
Governmental activities			
General obligation bonds	\$ 4,470,000	\$ -	100.00%
Revenue bonds	2,635,000	2,820,000	-6.56%
Termination benefits	7,100	21,299	-66.67%
Net pension liability	1,755,110	1,454,044	20.71%
Net OPEB liability	<u>122,965</u>	<u>99,216</u>	23.94%
	8,990,175	4,394,559	104.58%
Business type activities			
Net pension liability	<u>54,504</u>	<u>43,584</u>	25.06%
Total	<u>\$ 9,044,679</u>	<u>\$ 4,438,143</u>	103.79%

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 which could significantly affect its financial health in the future:

- The District's certified enrollment on October 1, 2017 was 390.10 students which was up 21.27 students from October 1, 2016 certified enrollment of 368.3. The District is hopeful that the enrollment has started to stabilize and has seen evidence of an upward trend, which is critical in maintaining a sound financial position.
- The District continues to take advantage of sharing positions in an effort to reduce costs and increase revenue through the operational sharing funding program. The District has the maximum of 21 students in FY18 to generate \$140,826 in supplementary weighting from the State.
- The voters of the Springville Community School District passed a \$2.70 levy bond election on February 2, 2016 to generate \$4,725,000 to fund a new elementary project. Construction was completed so that the students could enroll in the new elementary at the start of the 2017-18 school year.
- The District has set solvency ratio targets of: Minimum-12%; Average-16%; and Maximum-20%. FY17 ended with a solvency ratio of 13.54%. It will be important to maintain an adequate cash reserve levy to stay within the targeted goal of financial solvency and it will be equally important to monitor and make adjustments to recurring expenses such as salaries and benefits which represent the majority of the operating budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacey Matus, District Secretary/Treasurer and Business Manager, Springville Community School District, 400 Academy Street, Springville, Iowa 52336.

Basic Financial Statements

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$3,531,722	\$ 50,261	\$ 3,581,983
Receivables			
Property tax			
Delinquent	9,876	-	9,876
Succeeding year	2,188,327	-	2,188,327
Accounts receivable	3,196	456	3,652
Income surtax	172,724	-	172,724
Due from other governments	217,547	-	217,547
Inventories	-	6,136	6,136
Non-depreciable capital assets	4,402,885	-	4,402,885
Capital assets, net of accumulated depreciation	4,427,993	24,597	4,452,590
Total assets	14,954,270	81,450	15,035,720
Deferred Outflows of Resources			
Pension related deferred outflows	476,240	18,807	495,047
Liabilities			
Accounts payable	815,698	-	815,698
Salaries and benefits payable	361,972	15,097	377,069
Accrued interest payable	41,546	-	41,546
Unearned revenue	-	3,433	3,433
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	255,000	-	255,000
Revenue bonds payable	170,000	-	170,000
Termination benefits payable	7,100	-	7,100
Portion due after one year			
General obligation bonds payable	4,215,000	-	4,215,000
Revenue bonds payable	2,465,000	-	2,465,000
Termination benefits payable	-	-	-
Net pension liability	1,755,110	54,504	1,809,614
Net OPEB liability	122,965	-	122,965
Total liabilities	10,209,391	73,034	10,282,425

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$2,188,327	\$ -	\$ 2,188,327
Pension related deferred inflows	183,462	12,879	196,341
Total deferred inflows of resources	<u>2,371,789</u>	<u>12,879</u>	<u>2,384,668</u>
 Net investment in capital assets	 3,072,783	 24,597	 3,097,380
Restricted for			
Categorical funding	159,728	-	159,728
Management levy purposes	96,107	-	96,107
Physical plant and equipment	206,114	-	206,114
Student activities	98,677	-	98,677
School infrastructure	3,373	-	3,373
Unrestricted	<u>(787,452)</u>	<u>(10,253)</u>	<u>(797,705)</u>
	<u>\$2,849,330</u>	<u>\$ 14,344</u>	<u>\$ 2,863,674</u>
 Total net position			

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total
Governmental activities						
Instruction						
Regular instruction	\$ 2,109,715	\$ 712,007	\$ 508,443	\$ -	\$ (889,265)	\$ (889,265)
Special instruction	517,759	132,221	85,763	-	(299,775)	(299,775)
Other instruction	533,002	-	1,096	-	(531,906)	(531,906)
	<u>3,160,476</u>	<u>844,228</u>	<u>595,302</u>	<u>-</u>	<u>(1,720,946)</u>	<u>(1,720,946)</u>
Support services						
Student	141,795	-	-	-	(141,795)	(141,795)
Instructional staff	164,397	-	704	-	(163,693)	(163,693)
Administration	633,011	-	-	-	(633,011)	(633,011)
Operation and maintenance of plant	527,138	-	-	-	(527,138)	(527,138)
Transportation	145,212	6,612	2,007	-	(136,593)	(136,593)
	<u>1,611,553</u>	<u>6,612</u>	<u>2,711</u>	<u>-</u>	<u>(1,602,230)</u>	<u>(1,602,230)</u>
Other expenses						
Long-term debt interest	171,239	-	-	-	(171,239)	(171,239)
AEA flowthrough	157,192	-	157,192	-	-	-
Depreciation (unallocated) *	38,768	-	-	-	(38,768)	(38,768)
	<u>367,199</u>	<u>-</u>	<u>157,192</u>	<u>-</u>	<u>(210,007)</u>	<u>(210,007)</u>
Total governmental activities	<u>5,139,228</u>	<u>850,840</u>	<u>755,205</u>	<u>-</u>	<u>(3,533,183)</u>	<u>(3,533,183)</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Total
<u>Functions/Programs (continued)</u>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 199,232	\$ 122,311	\$ 86,886	\$ -	\$ 9,965
Preschool program	41,054	28,018	-	-	(13,036)
Total business type activities	240,286	150,329	86,886	-	(3,071)
Total	\$ 5,379,514	\$ 1,001,169	\$ 842,091	\$ (3,533,183)	(3,071)
<u>General Revenues</u>					
Property tax levied for					
General purposes				1,741,249	-
Debt service				351,950	-
Capital outlay				223,417	-
Statewide sales, services and use tax				344,549	-
Unrestricted state grants				1,640,967	-
Contributions and donations				47,071	-
Unrestricted investment earnings				17,571	84
Other				4,501	-
Total general revenues				4,371,275	84
Change in net position				838,092	(2,987)
Net position beginning of year				2,011,238	17,331
Net position end of year				\$ 2,849,330	\$ 14,344
					\$ 2,863,674

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

Exhibit C

	<u>General</u>	<u>Capital Projects</u>		<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
		<u>Statewide Sales, Services and Use Tax</u>	<u>Construction Project</u>			
Assets						
Cash, cash equivalents and pooled investments	\$1,061,368	\$ 640,060	\$1,378,766	\$ 23,691	\$ 409,218	\$3,513,103
Receivables						
Property tax						
Delinquent	6,490	-	-	1,541	1,845	9,876
Succeeding year	1,410,684	-	-	351,805	425,838	2,188,327
Accounts receivable	2,086	-	-	-	1,110	3,196
Income surtax	172,724	-	-	-	-	172,724
Due from other governments	188,922	28,625	-	-	-	217,547
Total assets	<u>\$2,842,274</u>	<u>\$ 668,685</u>	<u>\$1,378,766</u>	<u>\$377,037</u>	<u>\$ 838,011</u>	<u>\$6,104,773</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 114,350	\$ -	\$ 697,173	\$ -	\$ 4,175	\$ 815,698
Salaries and benefits payable	361,972	-	-	-	-	361,972
Total liabilities	<u>476,322</u>	<u>-</u>	<u>697,173</u>	<u>-</u>	<u>4,175</u>	<u>1,177,670</u>
Deferred inflows of resources						
Unavailable revenue						
Succeeding year property tax	1,410,684	-	-	351,805	425,838	2,188,327
Income surtax	172,724	-	-	-	-	172,724
Total deferred inflows of resources	<u>1,583,408</u>	<u>-</u>	<u>-</u>	<u>351,805</u>	<u>425,838</u>	<u>2,361,051</u>
Fund balances						
Restricted for						
Categorical funding	159,728	-	-	-	-	159,728
School infrastructure	-	668,685	681,593	-	-	1,350,278
Student activities	-	-	-	-	98,677	98,677
Management levy purposes	-	-	-	-	103,207	103,207
Physical plant and equipment	-	-	-	-	206,114	206,114
Debt service	-	-	-	25,232	-	25,232
Unassigned	622,816	-	-	-	-	622,816
Total fund balances	<u>782,544</u>	<u>668,685</u>	<u>681,593</u>	<u>25,232</u>	<u>407,998</u>	<u>2,566,052</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,842,274</u>	<u>\$ 668,685</u>	<u>\$1,378,766</u>	<u>\$377,037</u>	<u>\$ 838,011</u>	<u>\$6,104,773</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2017

Exhibit D

Total fund balances of governmental funds \$2,566,052

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 8,830,878

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 172,724

The Internal Service Fund is used by the District to charge the costs of the partially self-funded insurance plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position. 18,619

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (41,546)

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	\$476,240	
Deferred inflows of resources	<u>(183,462)</u>	292,778

Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (8,990,175)

Net position of governmental activities \$2,849,330

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

Exhibit E

Revenues	<u>General</u>	Capital Projects		<u>Debt Service</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
		Statewide Sales, Services and Use Tax	Construction Project			
Local sources						
Local tax	\$1,527,181	\$ -	\$ -	\$ 349,829	\$ 415,368	\$ 2,292,378
Tuition	528,356	-	-	-	-	528,356
Other	165,907	909	11,380	379	213,007	391,582
State sources	2,276,034	344,550	-	2,122	2,519	2,625,225
Federal sources	128,290	-	-	-	-	128,290
Total revenues	<u>4,625,768</u>	<u>345,459</u>	<u>11,380</u>	<u>352,330</u>	<u>630,894</u>	<u>5,965,831</u>
Expenditures						
Current						
Instruction						
Regular	2,122,488	-	-	-	16,301	2,138,789
Special	519,098	-	-	-	-	519,098
Other	332,928	-	-	-	201,452	534,380
	<u>2,974,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,753</u>	<u>3,192,267</u>
Support services						
Student	142,273	-	-	-	-	142,273
Instructional staff	155,595	-	-	-	11,420	167,015
Administration	603,064	-	14,924	-	28,420	646,408
Operation and maintenance	413,939	-	-	-	84,307	498,246
Transportation	155,309	-	-	-	9,772	165,081
	<u>1,470,180</u>	<u>-</u>	<u>14,924</u>	<u>-</u>	<u>133,919</u>	<u>1,619,023</u>
Other expenditures						
Facilities acquisition	-	-	3,819,939	-	158,102	3,978,041
Long-term debt						
Principal	-	-	-	440,000	-	440,000
Interest and fiscal charges	-	-	84,640	163,182	-	247,822
AEA flowthrough	157,192	-	-	-	-	157,192
	<u>157,192</u>	<u>-</u>	<u>3,904,579</u>	<u>603,182</u>	<u>158,102</u>	<u>4,823,055</u>
Total expenditures	<u>4,601,886</u>	<u>-</u>	<u>3,919,503</u>	<u>603,182</u>	<u>509,774</u>	<u>9,634,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,882</u>	<u>345,459</u>	<u>(3,908,123)</u>	<u>(250,852)</u>	<u>121,120</u>	<u>(3,668,514)</u>
Other financing sources (uses)						
Proceeds from issuance of bonds	-	-	4,807,174	-	-	4,807,174
Transfers in	-	82,119	-	255,551	11,522	349,192
Transfers (out)	(2,420)	(255,551)	(91,221)	-	-	(349,192)
Total other financing sources (uses)	<u>(2,420)</u>	<u>(173,432)</u>	<u>4,715,953</u>	<u>255,551</u>	<u>11,522</u>	<u>4,807,174</u>
Change in fund balances	21,462	172,027	807,830	4,699	132,642	1,138,660
Fund balance, beginning of year	761,082	496,658	(126,237)	20,533	275,356	1,427,392
Fund balance, end of year	<u>\$ 782,544</u>	<u>\$ 668,685</u>	<u>\$ 681,593</u>	<u>\$ 25,232</u>	<u>\$ 407,998</u>	<u>\$ 2,566,052</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2017

Exhibit F

Change in fund balances - total governmental funds \$1,138,660

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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year, as follows:

Expenditures for capital assets	\$4,105,820	
Depreciation expense	<u>(167,061)</u>	3,938,759

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 11,446

The Internal Service Fund is used by the District to charge the costs of the partially self-funded insurance plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 14,195

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	(4,725,000)	
Repaid	<u>440,000</u>	(4,285,000)

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

Termination benefits	14,199	
Pension expense	(151,684)	
Other postemployment benefits	<u>(23,749)</u>	(161,234)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (5,591)

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. 186,857

Change in net position of governmental activities \$ 838,092

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit G

	<u>Nonmajor Enterprise</u>	<u>Business Activity Internal Service</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 50,261	\$ 18,619
Accounts receivable	456	-
Inventories	<u>6,136</u>	<u>-</u>
Total current assets	56,853	18,619
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>24,597</u>	<u>-</u>
Total noncurrent assets		
Total assets	<u>81,450</u>	<u>18,619</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>18,807</u>	<u>-</u>
Liabilities		
Current liabilities		
Salaries and benefits payable	15,097	-
Unearned revenue	<u>3,433</u>	<u>-</u>
Total current liabilities	18,530	
Noncurrent liabilities		
Net pension liability	<u>54,504</u>	<u>-</u>
Total liabilities	<u>73,034</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>12,879</u>	<u>-</u>
Net Position		
Investment in capital assets	24,597	-
Unrestricted	<u>(10,253)</u>	<u>18,619</u>
Total net position	<u>\$ 14,344</u>	<u>\$ 18,619</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit H

	Nonmajor Enterprise	Business Activity <u>Internal Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$150,329</u>	<u>\$55,181</u>
Operating expenses		
Support services		
Administration	<u> -</u>	<u>41,029</u>
Non-instructional programs		
Food service operations	199,232	-
Preschool operations	<u>41,054</u>	<u> -</u>
	<u>240,286</u>	<u> -</u>
Total operating expenses	<u>240,286</u>	<u>41,029</u>
Operating income (loss)	<u>(89,957)</u>	<u>14,152</u>
Non-operating revenues		
Interest income	84	43
State sources	1,648	-
Federal sources	<u>85,238</u>	<u> -</u>
Total non-operating revenues	<u>86,970</u>	<u>43</u>
Change in net position	(2,987)	14,195
Net position beginning of year	<u>17,331</u>	<u>4,424</u>
Net position end of year	<u>\$ 14,344</u>	<u>\$18,619</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit I

	Nonmajor <u>Enterprise</u>	<u>Business Activity</u> Internal <u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 151,546	\$55,181
Cash payments to employees for services	(124,319)	-
Cash payments to suppliers for goods and services	<u>(87,293)</u>	<u>(41,029)</u>
Net cash provided by (used in) operating activities	<u>(60,066)</u>	<u>14,152</u>
Cash flows from non-capital financing activities		
State grants received	1,648	-
Federal grants received	<u>69,357</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>71,005</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>84</u>	<u>43</u>
Net increase in cash and cash equivalents	11,023	14,195
Cash and cash equivalents, beginning of year	<u>39,238</u>	<u>4,424</u>
Cash and cash equivalents, end of year	<u>\$ 50,261</u>	<u>\$18,619</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)	\$ (89,957)	\$14,152
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	6,120	-
Commodities used	15,881	-
Decrease in accounts receivable	553	-
(Increase) in inventory	(2,624)	-
(Increase) in deferred outflows of resources	(10,596)	-
Increase in net pension liability	10,920	-
Increase in deferred inflows of resources	5,376	-
Increase in unearned revenue	664	-
Increase in accrued salaries and benefits	<u>3,597</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (60,066)</u>	<u>\$14,152</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2017, the District received \$15,881 of federal commodities.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Springville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Springville, Iowa, and the agricultural territory in Linn County. 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, Springville 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 Springville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does 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 County Assessor's 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 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 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 are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting 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 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

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 expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The Capital Projects - Construction Project Fund is used to account for the bond proceeds and other revenue to be expended for the construction of a new school building.

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

The District reports no major proprietary funds. However, it reports two non-major enterprise funds, the School Nutrition Fund and Preschool Fund, which are used to account for the school nutrition and preschool operations, respectively of the district. The District also reports an Internal Service Fund for its partially self-funded insurance program.

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 termination benefits 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 the 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 is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments - 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 amortized cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue 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, furniture and equipment 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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable 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 District after the measurement date but before the end of the District's reporting period.

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

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired and the payment has become due but remains unpaid. The termination benefit liability has been computed based on rates of pay in effect at June 30, 2017. The termination benefit liability attributable to the governmental activities will be paid primarily from the Management Fund.

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.

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 receivable and income surtax receivables not collected within sixty days after year end and amounts paid by students for meals not yet served.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, amounts paid by students for meals not yet served and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

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

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$96,107 for management levy purposes, \$206,114 for physical plant and equipment, \$98,677 for student activities and \$3,373 for school infrastructure.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

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

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

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

Note 3. Interfund Transfers

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

Transfer To	Transfer From	Amount
Special Revenue		
Student activities	General Fund	\$ 2,420
Capital Projects	Capital Projects	
Statewide sales, services & use tax	Construction project fund	82,119
Capital Projects	Capital Projects	
Physical plant and equipment levy	Construction project fund	9,102
Debt Service Fund	Capital Projects	
	Statewide sales, services & use tax	<u>255,551</u>
		<u>\$ 349,192</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers were to move funds from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for payment of principal and interest on debt. The transfer from General Fund to Student Activity Fund were to reimburse for travel expenses. The transfer from Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund to Construction Project Fund were to move revenue to be used for the construction project.

Note 4. Capital Assets

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

<u>Governmental activities</u>	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 453,369	\$ -	\$ -	\$ 453,369
Construction in progress	<u>-</u>	<u>3,949,516</u>	<u>-</u>	<u>3,949,516</u>
Total capital assets, not being depreciated	<u>453,369</u>	<u>3,949,516</u>	<u>-</u>	<u>4,402,885</u>
Capital assets being depreciated:				
Buildings & improvements	7,138,947	-	-	7,138,947
Site Improvements	66,352	107,949	-	174,301
Furniture and equipment	<u>1,731,995</u>	<u>48,355</u>	<u>-</u>	<u>1,780,350</u>
Total capital assets being depreciated	<u>8,937,294</u>	<u>156,304</u>	<u>-</u>	<u>9,093,598</u>

Less accumulated depreciation for:				
Buildings and improvements	2,976,855	99,636	-	3,076,491
site Improvements	7,587	3,487	-	11,074
Furniture and equipment	<u>1,514,102</u>	<u>63,938</u>	-	<u>1,578,040</u>
Total accumulated depreciation	<u>4,498,544</u>	<u>167,061</u>	-	<u>4,665,605</u>
Total capital assets being depreciated, net	<u>4,438,750</u>	<u>(10,757)</u>	-	<u>4,427,993</u>
Governmental activities capital assets, net	<u>\$ 4,892,119</u>	<u>\$ 3,938,759</u>	<u>\$ -</u>	<u>\$ 8,830,878</u>
<u>Business type activities</u>				
Furniture and equipment				
Less accumulated depreciation	\$ 109,069	\$ -	\$ -	\$ 109,069
Business type activities capital assets, net	<u>78,352</u>	<u>6,120</u>	-	<u>84,472</u>
	<u>\$ 30,717</u>	<u>\$ (6,120)</u>	<u>\$ -</u>	<u>\$ 24,597</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 4,793
Support services	
Instructional staff	558
Administration	2,475
Operation and maintenance of plant	3,346
Transportation	<u>38,768</u>
	49,940
Unallocated depreciation	<u>117,121</u>
Total governmental activities depreciation expense	<u>\$ 167,061</u>

Business type activities

Food services	<u>\$ 6,120</u>
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Note 5. Long-term Liabilities

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ -	\$ 4,725,000	\$ (255,000)	\$ 4,470,000	\$ 255,000
Revenue refunding bonds	2,820,000	-	(185,000)	2,635,000	170,000
Termination benefits	21,299	-	(14,199)	7,100	7,100

Net pension liability	1,454,044	301,066	-	1,755,110	-
Net OPEB liability	<u>99,216</u>	<u>26,565</u>	<u>(2,816)</u>	<u>122,965</u>	<u>-</u>
Totals	<u>\$ 4,394,559</u>	<u>\$ 5,052,631</u>	<u>\$ (457,015)</u>	<u>\$ 8,990,175</u>	<u>\$ 432,100</u>
Business type activities					
Net pension liability	<u>\$ 43,584</u>	<u>\$ 10,920</u>	<u>\$ -</u>	<u>\$ 54,504</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$171,239 for the year ended June 30, 2017. During the year ended June 30, 2017, the District made principal payments on total long-term debt of \$440,000.

Refunding Revenue Bonds

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

Year Ending June 30,	Bond issue of September 2015			
	Interest Rates	Interest	Principal	Total
2018	2.55%	\$ 65,025	\$ 170,000	\$ 235,025
2019	2.50%	60,626	175,000	235,626
2020	2.55%	56,100	180,000	236,100
2021	2.55%	51,446	185,000	236,446
2022	2.55%	46,665	190,000	236,665
2023-2027	2.55%	155,550	1,050,000	1,205,550
2028-2030	2.55%	<u>26,584</u>	<u>685,000</u>	<u>711,584</u>
Totals		<u>\$ 461,996</u>	<u>\$ 2,635,000</u>	<u>\$ 3,096,996</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,820,000 of bonds issued in September 2015. The bonds were issued to refund the bond issue from June 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,096,996. For the current year, no principal and \$69,551 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$344,550.

General Obligation Bonds Payable

On July 1, 2016, the District issued \$4,725,000 of general obligation bonds with interest rates ranging from 2.0% to 2.7%. The proceeds of the bonds are to be used for construction of an elementary building.

Details of the District's June 30, 2017 general obligation indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond issue of July 2016			
	Interest <u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	2.00%	\$ 95,405	\$ 255,000	\$ 350,405
2019	2.00%	90,305	260,000	350,305
2020	2.00%	85,105	265,000	350,105
2021	2.00%	79,805	270,000	349,805
2022	2.00%	74,405	275,000	349,405
2023-2027	2.00%	286,525	1,420,000	1,706,525
2028-2032	2.0-2.3%	165,885	915,000	1,080,885
2032-2036	2.5-2.7%	54,160	810,000	864,160
Totals		<u>\$ 931,595</u>	<u>\$ 4,470,000</u>	<u>\$ 5,401,595</u>

Note 6. Pension Plan

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

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational 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 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 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 the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2017 totaled \$194,453.

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 \$1,809,614 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.029018%, which was a decrease of 0.001107 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$35,173. 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 15,993	\$ 21,597
Changes of assumptions	27,609	-
Net difference between projected and actual earnings on IPERS' investments	257,813	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	174,744
District contributions subsequent to the measurement date	<u>193,632</u>	<u>-</u>
Total	<u>\$ 495,047</u>	<u>\$ 196,341</u>

\$193,632 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 <u>June 30,</u>	
2018	\$ (16,935)
2019	(16,935)
2020	88,500
2021	55,592
2022	<u>(5,148)</u>
Total	<u>\$ 105,074</u>

There were no non-employer contributing entities to 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, as follows:

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% annum, based on 3.00% inflation and 1.00% real wage inflation.

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed 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 <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District's proportionate share of the net pension liability	\$2,927,710	\$1,809,614	\$865,926

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$16,361 for legally required District contributions and \$10,907 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 55 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 benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 23,169
Interest on net OPEB obligation	3,396
Adjustment to annual required contribution	<u>(2,816)</u>
Annual OPEB cost	23,749
Contributions made	<u>-</u>
Increase in net OPEB obligation	23,749
Net OPEB obligation beginning of year	<u>99,216</u>
Net OPEB obligation end of year	<u>\$ 122,965</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.

For the year ended June 30, 2017, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 2,791	0.0%	\$ 75,467
2016	\$ 23,749	0.0%	\$ 99,216
2017	\$ 23,749	0.0%	\$ 122,965

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$149,757, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$149,757. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.1 million and the ratio of UAAL to covered payroll was 7.0%. 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 July 1, 2016 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$157,192 adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to non-compliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by granting

authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 11. Categorical Funding

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

<u>Program</u>	
Home school assistance program	\$ 15,826
English as second language program	207
At-risk	445
Gifted and Talented	18,628
Teacher leadership	920
Beginning teacher mentoring and induction program	5,544
Teacher salary supplement	28,987
Statewide voluntary preschool	23,591
Early Literacy	46,631
Educator quality, professional development	<u>18,949</u>
	<u>\$ 159,728</u>

Note 12. Deficit Net Position

The District had the following deficit net position balances at June 30, 2017.

- School Nutrition Fund, unrestricted net position \$8,618
- Enterprise Fund, unrestricted net position \$10,253
- Business type activities, unrestricted net position \$10,253
- Governmental activities, unrestricted net position \$787,452
- Preschool Fund, unrestricted net position \$1,635
- Preschool Fund, total net position \$1,635

Note 13. Construction in Progress

In July, 2016, the District issued General Obligation Bonds of \$4,725,000 to finance the construction of a new elementary building. The construction project started in August, 2016 and is expected to be completed in September of 2017. The District had entered into contracts totaling \$4,861,000 for the project, of which \$3,513,968 had been completed and paid at June 30, 2017.

Note 14. Tax Abatements

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

Tax Abatements of Other Entities

There was no property tax revenue of the District reduced by agreements entered into by other entities for the year ended June 30, 2017.

Note 15. 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 16. Prospective Accounting Change

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

Required Supplementary Information

SPRINGVILLE 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
 For the Year Ended June 30, 2017

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$3,212,316		\$150,413		\$3,362,729	\$3,120,463	\$3,120,463	\$ 242,266
State sources	2,625,225		1,648		2,626,873	2,703,624	2,703,624	(76,751)
Federal sources	128,290		85,238		213,528	148,000	148,000	65,528
Total revenues	<u>5,965,831</u>		<u>237,299</u>		<u>6,203,130</u>	<u>5,972,087</u>	<u>5,972,087</u>	<u>231,043</u>
Expenditures/Expenses								
Instruction	3,192,267		-		3,192,267	3,255,000	3,255,000	62,733
Support services	1,619,023		-		1,619,023	1,862,000	1,862,000	242,977
Non-instructional programs	-		240,286		240,286	216,000	216,000	(24,286)
Other expenditures	4,823,055		-		4,823,055	5,631,311	5,631,311	808,256
Total expenditures/expenses	<u>9,634,345</u>		<u>240,286</u>		<u>9,874,631</u>	<u>10,964,311</u>	<u>10,964,311</u>	<u>1,089,680</u>
(Deficiency) of revenues (under) expenditures/expenses	(3,668,514)		(2,987)		(3,671,501)	(4,992,224)	(4,992,224)	1,320,723
Net other financing sources	<u>4,807,174</u>		<u>-</u>		<u>4,807,174</u>	<u>4,725,000</u>	<u>4,725,000</u>	<u>82,174</u>
Net change in fund balance	1,138,660		(2,987)		1,135,673	(267,224)	(267,224)	1,402,897
Balance, beginning of year	1,427,392		17,331		1,444,723	1,652,475	1,652,475	(207,752)
Balance, end of year	<u>\$2,566,052</u>		<u>\$ 14,344</u>		<u>\$2,580,396</u>	<u>\$1,385,251</u>	<u>\$1,385,251</u>	<u>\$1,195,145</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the 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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year ended June 30, 2017.

During the year ended June 30, 2017, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

SPRINGVILLE 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	0.029018%	0.030125%	0.033534%
District's proportionate share of the net pension liability	\$1,809,614	\$ 1,497,628	\$1,357,157
District's covered-employee payroll	\$2,078,153	\$ 2,082,631	\$2,239,250
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.08%	71.91%	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 preceding 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.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of District Contributions
 Iowa Public Employees' Retirement System
 For the Last Ten Years
 Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contribution	\$ 194,453	\$ 185,579	\$ 185,979	\$ 199,965	\$ 192,514	\$ 168,343	\$ 140,163	\$ 142,110	\$ 138,604	\$ 133,688
Contributions in relation to the statutorily required contribution	<u>(194,453)</u>	<u>(185,579)</u>	<u>(185,979)</u>	<u>(199,965)</u>	<u>(192,514)</u>	<u>(168,343)</u>	<u>(140,163)</u>	<u>(142,110)</u>	<u>(138,604)</u>	<u>(133,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$2,177,525	\$2,078,153	\$2,082,631	\$2,239,250	\$2,220,461	\$2,086,035	\$2,016,734	\$2,136,992	\$2,182,740	\$2,209,719
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.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Pension Liability
For the Year Ended June 30, 2017

Changes of benefit terms:

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

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.

SPRINGVILLE 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	\$ -	\$290,000	\$290,000	\$ -	\$2,205,110	13.2%
2011	July 1, 2009	-	290,000	290,000	-	2,001,711	14.5%
2012	July 1, 2009	-	290,000	290,000	-	2,119,456	13.7%
2013	July 1, 2012	-	15,784	15,784	-	2,246,183	0.7%
2014	July 1, 2012	-	15,784	15,784	-	2,310,780	0.7%
2015	July 1, 2012	-	15,784	15,784	-	2,076,080	0.8%
2016	July 1, 2015	-	149,757	149,757	-	2,870,468	5.2%
2017	July 1, 2016	-	149,757	149,757	-	2,142,871	7.0%

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

Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Schedule 1

	Special Revenue		Capital Projects	
	Student	Management	Physical	
	<u>Activity</u>	<u>Levy</u>	Plant & <u>Equipment Levy</u>	<u>Total</u>
Assets				
Cash, cash equivalents and pooled investments	\$100,742	\$102,352	\$206,124	\$409,218
Receivables				
Property tax				
Delinquent	-	855	990	1,845
Succeeding year	-	195,000	230,838	425,838
Accounts receivable	1,110	-	-	1,110
Total assets	<u>\$101,852</u>	<u>\$298,207</u>	<u>\$437,952</u>	<u>\$838,011</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 3,175	\$ -	\$ 1,000	\$ 4,175
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	-	195,000	230,838	425,838
Fund balances				
Restricted for				
Student activities	98,677	-	-	98,677
Management levy purposes	-	103,207	-	103,207
Physical plant and equipment	-	-	206,114	206,114
Total fund balances	<u>98,677</u>	<u>103,207</u>	<u>206,114</u>	<u>407,998</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$101,852</u>	<u>\$298,207</u>	<u>\$437,952</u>	<u>\$838,011</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

Schedule 2

	Special Revenue		Capital Projects	
	Student Activity	Management Levy	Physical Plant & Equipment Levy	Total
Revenues				
Local sources				
Local taxes	\$ -	\$ 193,298	\$ 222,070	\$415,368
Other	211,254	1,203	550	213,007
State sources	-	1,172	1,347	2,519
Total revenues	211,254	195,673	223,967	630,894
Expenditures				
Current				
Instruction				
Regular	-	16,301	-	16,301
Other	201,452	-	-	201,452
Total instruction	201,452	16,301	-	217,753
Support services				
Instructional staff	-	-	11,420	11,420
Administration	-	21,880	6,540	28,420
Operation and maintenance of plant	-	76,147	8,160	84,307
Transportation	-	9,772	-	9,772
Total support services	-	107,799	26,120	133,919
Other expenditures				
Facilities acquisition	-	-	158,102	158,102
Total expenditures	201,452	124,100	184,222	509,774
Excess of revenues over expenditures	9,802	71,573	39,745	121,120
Other financing sources				
Transfers in	2,420	-	9,102	11,522
Change in fund balances	12,222	71,573	48,847	132,642
Fund balances, beginning of year	86,455	31,634	157,267	275,356
Fund balances, end of year	\$98,677	\$ 103,207	\$ 206,114	\$407,998

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$46,551	\$ 3,710	\$50,261
Accounts receivable	456	-	456
Inventories	6,136	-	6,136
Total current assets	<u>53,143</u>	<u>3,710</u>	<u>56,853</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	24,597	-	24,597
Total assets	<u>77,740</u>	<u>3,710</u>	<u>81,450</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>16,314</u>	<u>2,493</u>	<u>18,807</u>
Liabilities			
Current liabilities			
Salaries and benefits payable	13,046	2,051	15,097
Unearned revenue	3,433	-	3,433
Total current liabilities	<u>16,479</u>	<u>2,051</u>	<u>18,530</u>
Noncurrent liabilities			
Net pension liability	50,132	4,372	54,504
Total liabilities	<u>66,611</u>	<u>6,423</u>	<u>73,034</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>11,464</u>	<u>1,415</u>	<u>12,879</u>
Net Position			
Investment in capital assets	24,597	-	24,597
Unrestricted	<u>(8,618)</u>	<u>(1,635)</u>	<u>(10,253)</u>
Total net position	<u>\$15,979</u>	<u>\$ (1,635)</u>	<u>\$14,344</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2017

Schedule 4

	<u>School</u>		
	<u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 122,311	\$ 28,018	\$150,329
Operating expenses			
Non-instructional programs			
Salaries	69,130	30,115	99,245
Benefits	24,635	9,736	34,371
Purchased services	1,903	-	1,903
Supplies	97,401	1,203	98,604
Property	43	-	43
Depreciation	6,120	-	6,120
	<u>199,232</u>	<u>41,054</u>	<u>240,286</u>
Operating (loss)	<u>(76,921)</u>	<u>(13,036)</u>	<u>(89,957)</u>
Non-operating revenue			
Interest income	84	-	84
State sources	1,648	-	1,648
Federal sources	85,238	-	85,238
Total non-operating revenue	<u>86,970</u>	<u>-</u>	<u>86,970</u>
Change in net position	10,049	(13,036)	(2,987)
Net position beginning of year	5,930	11,401	17,331
Net position end of year	<u>\$ 15,979</u>	<u>\$ (1,635)</u>	<u>\$ 14,344</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

Schedule 5

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Cash flows from operating activities			
Cash received from sale of services	\$123,478	\$ 28,068	\$151,546
Cash payments to employees for services	(86,077)	(38,242)	(124,319)
Cash payments to suppliers for goods and services	<u>(86,090)</u>	<u>(1,203)</u>	<u>(87,293)</u>
Net cash (used in) operating activities	<u>(48,689)</u>	<u>(11,377)</u>	<u>(60,066)</u>
Cash flows from non-capital financing activities			
State grants received	1,648	-	1,648
Federal grants received	<u>69,357</u>	<u>-</u>	<u>69,357</u>
Net cash provided by non-capital financing activities	<u>71,005</u>	<u>-</u>	<u>71,005</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	<u>84</u>	<u>-</u>	<u>84</u>
Net increase (decrease) in cash and cash equivalents	22,400	(11,377)	11,023
Cash and cash equivalents, beginning of year	24,151	15,087	39,238
Cash and cash equivalents, end of year	<u>\$ 46,551</u>	<u>\$ 3,710</u>	<u>\$ 50,261</u>

**Reconciliation of operating (loss) to net cash
(used in) operating activities**

Operating (loss)	\$ (76,921)	\$(13,036)	\$ (89,957)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	6,120	-	6,120
Commodities used	15,881	-	15,881
Decrease in accounts receivable	503	50	553
(Increase) in inventory	(2,624)	-	(2,624)
(Increase) in deferred outflows of resources	(9,000)	(1,596)	(10,596)
Increase in net pension liability	9,547	1,373	10,920
Increase in deferred inflows of resources	4,436	940	5,376
Increase in unearned revenue	664	-	664
Increase in accrued salaries and benefits	<u>2,705</u>	<u>892</u>	<u>3,597</u>
Net cash (used in) operating activities	<u>\$ (48,689)</u>	<u>\$ (11,377)</u>	<u>\$ (60,066)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received \$15,881 of federal commodities.

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2017

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Cross country	\$ 674	\$ 123	\$ -	\$ 797
Boys basketball	6,087	15,199	13,475	7,811
Football	956	17,591	13,319	5,228
Boys baseball	7,800	4,151	11,798	153
Boys track	104	977	1,039	42
Boys golf	55	251	112	194
Wrestling	108	-	-	108
Girls basketball	7,817	12,320	12,500	7,637
Girls volleyball	1,244	5,154	5,619	779
Girls softball	3,868	957	4,267	558
Girls track	100	-	-	100
Gate money	2,187	80,151	74,717	7,621
Weight room	719	721	1,335	105
Cheerleading	850	1,342	1,420	772
Vocal resale	3,782	4,054	3,063	4,773
HS instrumental	442	3,702	4,066	78
HS musical	-	1,500	-	1,500
Supply store	678	2	274	406
Pictures	7,636	3,682	3,506	7,812
Jump Rope for Heart	124	-	-	124
Student senate - elementary	791	3	-	794
Fine arts	73	2,003	1,266	810
Elementary instrumental resale	2,190	1,087	599	2,678
Book fair	4,359	2,881	2,862	4,378
Drama	1,662	492	850	1,304
Art club	5,177	939	631	5,485
Dance	1,931	7,444	8,352	1,023
TADA	163	1	-	164
Garden project	425	2	-	427
MS Science Club	725	3	-	728
Archery Program	8,471	22,623	17,354	13,740

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2017

Schedule 6

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Yearbook	\$ 2,500	\$ 3,452	\$ 2,870	\$ 3,082
Mfg. Enterprise	43	-	-	43
Student senate - MS	1,945	593	-	2,538
Student senate - HS	2,831	478	192	3,117
Class of 2015	1,788	-	1,788	-
Class of 2017	2,624	2,764	3,369	2,019
Class of 2018	961	13,088	8,078	5,971
Class of 2019	893	3	64	832
Class of 2020	321	1	64	258
Class of 2021	626	72	628	70
Class of 2022	634	272	13	893
Class of 2023	-	112	13	99
FFA	-	3,233	1,785	1,448
Instrument repair	91	251	164	178
Totals	<u>\$ 86,455</u>	<u>\$ 213,674</u>	<u>\$ 201,452</u>	<u>\$ 98,677</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Local sources										
Local tax	\$2,292,378	\$1,746,418	\$1,615,947	\$1,441,952	\$1,841,031	\$2,222,483	\$2,293,510	\$2,275,398	\$2,129,621	\$2,023,376
Tuition	528,356	469,444	403,462	330,235	420,570	184,590	285,147	349,221	305,429	397,711
Other	391,582	291,860	254,517	246,897	217,782	169,937	170,552	174,992	237,613	221,034
State sources	2,625,225	2,652,089	2,507,496	2,505,549	2,095,795	2,102,138	2,283,639	1,960,731	2,273,695	2,380,698
Federal sources	128,290	88,900	81,442	82,722	139,752	187,134	250,962	298,143	169,611	105,700
Total revenues	\$5,965,831	\$5,248,711	\$4,862,864	\$4,607,355	\$4,714,930	\$4,866,282	\$5,283,810	\$5,058,486	\$5,115,969	\$5,128,519
Expenditures										
Current										
Instruction										
Regular	\$2,138,789	\$2,016,242	\$1,973,049	\$2,063,406	\$2,050,258	\$2,034,475	\$1,855,985	\$1,972,472	\$1,957,702	\$2,079,241
Special	519,098	406,920	426,288	490,347	507,369	376,048	307,526	425,680	477,178	379,056
Other	534,380	471,764	436,067	417,308	391,423	375,020	417,725	271,551	465,028	439,642
Support services										
Student	142,273	138,714	144,907	135,274	148,088	137,542	119,006	100,736	99,912	84,957
Instructional staff	167,015	150,720	124,252	195,333	97,858	94,894	77,947	109,824	124,337	166,948
Administration	646,408	780,873	547,316	622,837	686,507	647,203	555,462	517,238	531,365	504,787
Operation and maintenance of plant	498,246	394,878	345,552	399,220	425,248	414,565	394,143	369,381	374,395	404,437
Transportation	165,081	208,964	152,371	247,533	181,760	220,395	111,520	123,553	131,807	217,194
Other expenditures										
Facilities acquisition	3,978,041	267,813	18,745	30,052	68,943	89,259	1,698,201	2,531,340	213,318	45,821
Long-term debt										
Principal	440,000	3,222,936	125,000	120,000	235,000	225,000	220,000	185,000	180,000	180,000
Interest and other charges	247,822	104,552	143,057	147,957	156,468	165,119	173,429	99,822	71,134	20,345
AEA flowthrough	157,192	160,905	160,956	159,107	154,723	156,677	176,060	175,015	164,655	164,079
Total expenditures	\$9,634,345	\$8,325,281	\$4,597,560	\$5,028,374	\$5,103,645	\$4,936,197	\$6,107,004	\$6,881,612	\$4,790,831	\$4,686,507

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

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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
Springville Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville 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 my report thereon dated March 19, 2018.

Internal Control Over Financial Reporting

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

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

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

the deficiencies described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I 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 my audit of the financial statements of the District. Since my 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.

Springville Community School District's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Springville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
March 19, 2018

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2017

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROLS DEFICIENCY

A. 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 - I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information.

Cause - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2017

B. Material Misstatements Not Detected

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not accrue the retainage on construction contracts at year-end resulting in Capital Projects - Construction Project expenditures and fund balance to be understated on the CAR by \$184,946. The District also did not include construction in progress of \$3,949,516 in the capital fixed assets reported on the CAR.

Cause - District policies do not require, and procedures have not been established to require, independent review of year-end adjusting entries and cut-off transactions to ensure the District's financial statements and CAR are accurate and reliable.

Effect - Lack of policies and procedures resulted in District employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's CAR were necessary.

Recommendation - The District should implement procedures to ensure that all liabilities and capital assets are identified and included in the District's CAR.

Response - We will double-check these in the future to avoid missing any material amounts.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2017 exceeded the certified budget amount in the non-instruction programs functional area.

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

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2017

Response - This was due to the pension expense recorded at year-end in the School Nutrition Fund. Future budgets will be amended in compliance with the Code of Iowa to ensure the certified budget amounts are not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinions dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I 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.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2017

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		\$ 496,658
Revenues		
Statewide sales and services tax revenue	\$ 344,550	
Interest earned	909	
Transfers from other funds	<u>82,119</u>	427,578
Expenditures/transfers out		
Debt service for school infrastructure		
General obligation debt		<u>255,551</u>
Ending balance		<u>\$ 668,685</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.

13. Deficit Net Position - The District had the following negative fund balances at June 30, 2017:

- School Nutrition Fund, unrestricted net position \$8,618
- Preschool Fund, unrestricted net position \$1,635
- Preschool Fund, total net position \$1,635
- Enterprise Fund, unrestricted net position \$10,253
- Business type activities, unrestricted net position \$10,253
- Governmental activities, unrestricted net position \$787,452

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return the funds to sound financial condition.

Response - These deficits were a result of implementing GASB Statement No. 68 during the year ended June 30, 2016. We will review the situation and implement changes, as we deem necessary.

Conclusion - Response accepted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2017

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant