

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

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SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Officials  
June 30, 2018

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Lee Ann Grimley	Board President	2021
Todd Nulle	Vice President	2019
Laura Riley	Board Member	2019
Anthony Dlouhy	Board Member	2019
Kate O'Brien-May	Board Member	2021
<b>School Officials</b>		
Pat Hocking	Superintendent	2018
Stacey Matus	District Secretary/Treasurer	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## 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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of a Matter

As discussed in Note 15 to the financial statements, Springville Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. My opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 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, 2017 (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 5, 2019 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 5, 2019

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

### 2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$334,920 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$4,625,768 in fiscal 2017 to \$4,718,198 in fiscal 2018, and General Fund expenditures increased from \$4,601,886 in fiscal 2017 to \$4,689,525 in fiscal 2018. The District's General Fund balance increased from \$782,544 in fiscal 2017 to \$785,891 in fiscal 2018, an increase of less than 1%.
- 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 \$87,639 from fiscal 2017. The District's General Fund ending balance increased by \$3,347; basically, unchanged from what was reported in the June 30, 2017 MD&A. The General Fund balance at June 30, 2018 was \$785,891 or 16.8% of the General Fund expenses.
- The District's unspent authorized budget decreased by \$77,786 from \$1,656,047 (FY17) to \$1,578,261 (FY18).
- The District's General Fund solvency ratio (Unassigned fund balance + Assigned fund balance/General Fund revenues minus AEA Flow-through) at June 30, 2017 was 13.54%. The District's General Fund solvency ratio at June 30, 2018 was 14.31%, remaining stable.
- The State of Iowa approved an increase in Supplemental State Aid of 1.11% for the 2017-18 school year. The District had an increase in enrollment of 9.5 students, which resulted in the District generating \$63,679 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 Changes in the District's Total OPEB Liability, Related Ratios and Notes.

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, 2018 compared to June 30, 2017.

Figure A-1

	Condensed Statement of Net Position						
	Governmental		Business Type		Total	Total	Total Change
	Activities		Activities		District	Change	
	June 30,		June 30,		June 30,	June 30,	
2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2017-2018	
Current and other assets	\$ 4,754,298	\$ 6,123,392	\$ 55,367	\$ 56,853	\$ 4,809,665	\$ 6,180,245	-22.18%
Capital assets	9,582,297	8,830,878	27,001	24,597	9,609,298	8,855,475	8.51%
Total assets	14,336,595	14,954,270	82,368	81,450	14,418,963	15,035,720	-4.10%
Deferred outflows of resources	540,019	476,240	25,860	18,807	565,879	495,047	14.31%
Long-term liabilities	9,138,012	8,990,175	59,075	54,504	9,197,087	9,044,679	1.69%

Other liabilities	<u>553,421</u>	<u>1,219,216</u>	<u>21,809</u>	<u>18,530</u>	<u>575,230</u>	<u>1,237,746</u>	-53.53%
Total liabilities	<u>9,691,433</u>	<u>10,209,391</u>	<u>80,884</u>	<u>73,034</u>	<u>9,772,317</u>	<u>10,282,425</u>	-4.96%
Deferred inflows of resources	<u>2,374,657</u>	<u>2,371,789</u>	<u>23,296</u>	<u>12,879</u>	<u>2,397,953</u>	<u>2,384,668</u>	0.56%
Net position							
Net investment in							
capital assets	2,902,297	3,072,783	27,001	24,597	2,929,298	3,097,380	-5.43%
Restricted	1,065,521	563,999	-	-	1,065,521	563,999	88.92%
Unrestricted	<u>(1,157,294)</u>	<u>(787,452)</u>	<u>(22,953)</u>	<u>(10,253)</u>	<u>(1,180,247)</u>	<u>(797,705)</u>	-47.96%
Total net position	<u>\$ 2,810,524</u>	<u>\$ 2,849,330</u>	<u>\$ 4,048</u>	<u>\$ 14,344</u>	<u>\$ 2,814,572</u>	<u>\$ 2,863,674</u>	-1.71%

Prior to restatement, the District's total net position decreased by approximately 2%, or \$49,102 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 increased \$501,522, or approximately 89% over the prior year. The increase in net position was primarily a result of the increase in net position of the Capital Projects Funds.

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 – decreased \$382,542, or approximately 48%. The decrease in unrestricted net position was primarily a result of the District's increased total OPEB liability.

Figure A-2 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-2  
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change 2017-2018
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
Revenues							
Program revenues							
Charges for service and sales	\$ 819,507	\$ 850,840	\$ 179,999	\$ 150,329	\$ 999,506	\$ 1,001,169	-0.17%
Operating grants	730,165	755,205	80,988	86,886	811,153	842,091	-3.67%
General revenues							
Property tax	2,414,075	2,316,616	-	-	2,414,075	2,316,616	4.21%
Statewide sales, services and use tax	343,566	344,549	-	-	343,566	344,549	-0.29%
Unrestricted state grants	1,748,037	1,640,967	-	-	1,748,037	1,640,967	6.52%
Contributions and donations	27,264	47,071	-	-	27,264	47,071	-42.08%

Unrestricted investment earnings	8,786	17,571	121	84	8,907	17,655	-49.55%
Other	<u>3,298</u>	<u>4,501</u>	-	-	<u>3,298</u>	<u>4,501</u>	-26.73%
Total revenues	<u>6,094,698</u>	<u>5,977,320</u>	<u>261,108</u>	<u>237,299</u>	<u>6,355,806</u>	<u>6,214,619</u>	2.27%
Program expenses							
Governmental activities							
Instruction	3,312,535	3,160,476	-	-	3,312,535	3,160,476	4.81%
Support services	1,814,983	1,611,553	-	-	1,814,983	1,611,553	12.62%
Non-instructional programs	-	-	271,379	240,286	271,379	240,286	12.94%
Other expenses	<u>671,091</u>	<u>367,199</u>	-	-	<u>671,091</u>	<u>367,199</u>	82.76%
Total expenses	<u>5,798,609</u>	<u>5,139,228</u>	<u>271,379</u>	<u>240,286</u>	<u>6,069,988</u>	<u>5,379,514</u>	12.84%
Change in net position	296,089	838,092	(10,271)	(2,987)	285,818	835,105	-65.77%
Transfers	25	-	(25)	-	-	-	0.00%
Net position beginning of year, as restated	<u>2,514,410</u>	<u>2,011,238</u>	<u>14,344</u>	<u>17,331</u>	<u>2,528,754</u>	<u>2,028,569</u>	24.66%
Net position end of year	<u>\$ 2,810,524</u>	<u>\$ 2,849,330</u>	<u>\$ 4,048</u>	<u>\$ 14,344</u>	<u>\$ 2,814,572</u>	<u>\$ 2,863,674</u>	-1.71%

In fiscal year 2018, property tax and unrestricted state grants accounted for approximately 68% 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 \$6,355,806 of which \$6,094,698 was for governmental activities and \$261,108 was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 2% increase in revenues and a 13% increase in expenses. The increases in revenues are largely due to increase in property tax revenue and revenue received from unrestricted state grants. The increase in expenditures occurred in salaries and benefits; SAVE & PPEL fund expenditures, utility costs, and building repair and restoration costs.

### Governmental Activities

Revenues for governmental activities were \$6,094,698 and expenses were \$5,798,609 for the year ended June 30, 2018.

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

Figure A-3

	Total Cost of Services			Net Cost of Services		
	2018	2017 (Not Restated)	Change 2017- 2018	2018	2017 (Not Restated)	Change 2017- 2018
Instruction	\$ 3,312,535	\$ 3,160,476	4.8%	\$ 1,938,671	\$ 1,720,946	12.7%
Support services	1,814,983	1,611,553	12.6%	1,801,832	1,602,230	12.5%
Other expenses	<u>671,091</u>	<u>367,199</u>	82.8%	<u>508,434</u>	<u>210,007</u>	142.1%
Total expenses	<u>\$ 5,798,609</u>	<u>\$ 5,139,228</u>	12.8%	<u>\$ 4,248,937</u>	<u>\$ 3,533,183</u>	20.3%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$819,507.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$730,165.
- The net cost of governmental activities was financed with \$2,757,641 of property and other taxes and \$1,748,037 of unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities for the year ended June 30, 2018 were \$261,108 representing a 10% increase over the prior year, while expenses totaled \$271,379, a 12% 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 FY17 to FY18 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 \$1,787,970, well below last year's ending fund balances of \$2,566,052. The primary reason for the decrease of \$778,082 in combined fund balances in fiscal 2018 is due to a decrease in total assets to the construction project fund, SAVE, and other capital projects.

### **Governmental Fund Highlights**

The District's slightly 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 of \$4,718,198 outpaced total expenditures of \$4,689,525 ensuring an increase in fund balance at year end.

- The General Fund balance increased from \$782,544 to \$785,891, due in part to the increase in property tax valuations, sharing agreements, and the concerted effort to monitor expenditures.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance decreased from \$668,685 to \$513,095 due to increased expenditure for infrastructure.

- The Capital Projects - Construction Project Fund balance decreased from \$681,593 in fiscal 2017 to \$0 in fiscal 2018 due to the completion of the elementary building project.
- The Debt Service Fund balance increased from \$25,232 in 2017 to \$29,667 in 2018 due to a slight increase in revenue and expenditures remained relatively unchanged from FY2017 to FY2018.

### **Proprietary Fund Highlights**

Enterprise Fund net position decreased from \$14,344 at June 30, 2017 to \$4,048 at June 30, 2018, a decrease of approximately 71%. 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 amended its budget one time during the year ended June 30, 2018, increasing expenditures by \$687,476 due to increased FTE, GASB 68 requirements, and increased food costs in the Non Instructional Program Areas. The FY18 expenditures were certified at \$231,000 and amended at \$299,000 as a result. The total Other Expenditures were certified at \$1,475,523, due to increased expenditures in construction and building restoration/repairs the expenditures were amended at \$2,095,000.

The District's total revenues were \$39,691 more than total budgeted revenues, a variance of approximately 1%. The most significant variance resulted from the District receiving more in local revenue sources such as student activities and sales; tuition and transportation.

Total expenditures were \$402,141 less than budgeted, due primarily to reduced expenditures in Total Support Services and Instructional costs.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2018, the District had invested \$9,609,298, 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 9% 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 \$280,061.

The original cost of the District's capital assets was \$14,639,436. Governmental funds account for \$14,523,957, with the remainder of \$115,479 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the construction in progress category, which decreased from \$3,949,516 at June 30, 2017 to \$0 at June 30, 2018 due to the completion of the construction project started during fiscal year 2017.

Figure A-4

## Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2017-</u> <u>2018</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	8,738,360	4,062,456	-	-	8,738,360	4,062,456	115.10%
Site improvements	165,741	163,227	-	-	165,741	163,227	1.54%
Furniture and equipment	<u>224,827</u>	<u>202,310</u>	<u>27,001</u>	<u>24,597</u>	<u>251,828</u>	<u>226,907</u>	10.98%
Totals	<u>\$9,582,297</u>	<u>\$8,830,878</u>	<u>\$27,001</u>	<u>\$24,597</u>	<u>\$9,609,298</u>	<u>\$8,855,475</u>	8.51%

**Long-Term Debt**

At June 30, 2018, the District had \$9,197,087 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2% 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 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 \$6.9 million.

Figure A-5

## Outstanding Long-term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2017		
	<u>2018</u>	<u>(Restated)</u>	<u>2017-2018</u>
Governmental activities			
General obligation bonds	\$ 4,215,000	\$ 4,470,000	100.00%
Revenue bonds	2,465,000	2,635,000	-6.45%
Termination benefits	22,095	7,100	211.20%
Net pension liability	1,875,664	1,755,110	6.87%
Net OPEB liability	<u>560,253</u>	<u>457,885</u>	22.36%
	9,138,012	9,325,095	-2.01%
Business type activities			
Net pension liability	<u>59,075</u>	<u>54,504</u>	8.39%
Total	<u>\$ 9,197,087</u>	<u>\$ 9,379,599</u>	-1.95%

## **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, 2018 was 382.10 students which was down 8 students from October 1, 2017 certified enrollment of 390.10. The District is hopeful that the enrollment will stabilize and will not continue to have a downward 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 FY19 to generate \$142,233 in supplementary weighting from the State.
- The District has set solvency ratio targets of: Minimum-12%; Average-16%; and Maximum-20%. FY18 ended with a solvency ratio of 14.31%. 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.
- The Board of Education has offered early retirement agreements for fiscal years 2019 and 2020.
- The District has contracted services for technology, and therefore saving general fund dollars by paying the contracted services from the PPEL fund.
- The District has taken advantage of General Fund savings through partially self-funded health insurance and use of equipment breakdown insurance.
- The District has developed and closely monitors a line item budget in an effort to reduce expenditures if needed to increase or stabilize the district's unspent balance.
- Due to increased enrollment from the 2017-18 school year our preschool program was relocated in our previous elementary building; making more space for the K-5<sup>th</sup> grades in the new elementary building. The District is hopeful this enrollment growth will continue in the future.

## **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, 2018

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$2,159,350	\$ 49,997	\$ 2,209,347
Receivables			
Property tax			
Delinquent	8,921	-	8,921
Succeeding year	2,238,046	-	2,238,046
Accounts receivable	165,443	1,035	166,478
Income surtax	182,523	-	182,523
Due from other governments	15	-	15
Inventories	-	4,335	4,335
Non-depreciable capital assets	453,369	-	453,369
Capital assets, net of accumulated depreciation	9,128,928	27,001	9,155,929
Total assets	14,336,595	82,368	14,418,963
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	540,019	25,860	565,879
<b>Liabilities</b>			
Accounts payable	141,222	828	142,050
Salaries and benefits payable	373,245	15,110	388,355
Accrued interest payable	38,954	-	38,954
Unearned revenue	-	5,871	5,871
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	260,000	-	260,000
Revenue bonds payable	175,000	-	175,000
Termination benefits payable	7,365	-	7,365
Portion due after one year			
General obligation bonds payable	3,955,000	-	3,955,000
Revenue bonds payable	2,290,000	-	2,290,000
Termination benefits payable	14,730	-	14,730
Net pension liability	1,875,664	59,075	1,934,739
Total OPEB liability	560,253	-	560,253
Total liabilities	9,691,433	80,884	9,772,317

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2018

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$2,238,046	\$ -	\$ 2,238,046
Pension related deferred inflows	136,611	23,296	159,907
Total deferred inflows of resources	2,374,657	23,296	2,397,953
Net investment in capital assets	2,902,297	27,001	2,929,298
Restricted for			
Categorical funding	115,204	-	115,204
Management levy purposes	172,708	-	172,708
Physical plant and equipment	168,969	-	168,969
Student activities	95,545	-	95,545
School infrastructure	513,095	-	513,095
Unrestricted	(1,157,294)	(22,953)	(1,180,247)
	\$2,810,524	\$ 4,048	\$ 2,814,572
Total net position			

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2018

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>	<u>Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 2,143,291	\$ 670,636	\$ 512,976	\$ -	\$ (959,679)	\$ -	\$ (959,679)
Special instruction	485,777	136,969	48,795	-	(300,013)	-	(300,013)
Other instruction	683,467	1,370	3,118	-	(678,979)	-	(678,979)
	3,312,535	808,975	564,889	-	(1,938,671)	-	(1,938,671)
Support services							
Student	152,111	-	-	-	(152,111)	-	(152,111)
Instructional staff	193,982	-	-	-	(193,982)	-	(193,982)
Administration	690,355	-	-	-	(690,355)	-	(690,355)
Operation and maintenance of plant	583,306	-	-	-	(583,306)	-	(583,306)
Transportation	195,229	10,532	2,619	-	(182,078)	-	(182,078)
	1,814,983	10,532	2,619	-	(1,801,832)	-	(1,801,832)
Other expenses							
Facilities acquisition	122,245	-	-	-	(122,245)	-	(122,245)
Long-term debt interest	159,338	-	-	-	(159,338)	-	(159,338)
AEA flowthrough	162,657	-	162,657	-	-	-	-
Depreciation (unallocated) *	226,851	-	-	-	(226,851)	-	(226,851)
	671,091	-	162,657	-	(508,434)	-	(508,434)
Total governmental activities	5,798,609	819,507	730,165	-	(4,248,937)	-	(4,248,937)

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2018

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	Governmental Business Type Activities	Total Activities
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 232,943	\$ 130,781	\$ 80,988	\$ -	\$ (21,174)	\$ (21,174)
Preschool program	38,436	49,218	-	-	10,782	10,782
Total business type activities	271,379	179,999	80,988	-	(10,392)	(10,392)
Total	\$ 6,069,988	\$ 999,506	\$ 811,153	\$ -	(4,248,937)	(4,259,329)
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes						1,825,899
Debt service						355,133
Capital outlay						233,043
Statewide sales, services and use tax						343,566
Unrestricted state grants						1,748,037
Contributions and donations						27,264
Unrestricted investment earnings						8,786
Other						3,298
Transfers						25
Total general revenues and transfers						4,545,051
Change in net position						96
Net position beginning of year, as restated						(10,296)
Net position end of year						14,344
						\$ 4,048
						\$ 2,810,524
						\$ 2,814,572

\* 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, 2018

Exhibit C

		Capital Projects			
	General	Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$1,148,325	\$ 483,970	\$ 28,233	\$ 467,530	\$2,128,058
Receivables					
Property tax					
Delinquent	5,751	-	1,434	1,736	8,921
Succeeding year	1,548,732	-	350,806	338,508	2,238,046
Accounts receivable	135,906	29,125	-	413	165,443
Income surtax	182,523	-	-	-	182,523
Due from other governments	15	-	-	-	15
Total assets	<u>\$3,021,251</u>	<u>\$ 513,095</u>	<u>\$ 380,473</u>	<u>\$ 808,187</u>	<u>\$4,723,006</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 130,860	\$ -	\$ -	\$ 10,362	\$ 141,222
Salaries and benefits payable	373,245	-	-	-	373,245
Total liabilities	<u>504,105</u>	<u>-</u>	<u>-</u>	<u>10,362</u>	<u>514,467</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	1,548,732	-	350,806	338,508	2,238,046
Income surtax	182,523	-	-	-	182,523
Total deferred inflows of resources	<u>1,731,255</u>	<u>-</u>	<u>350,806</u>	<u>338,508</u>	<u>2,420,569</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	115,204	-	-	-	115,204
School infrastructure	-	513,095	-	-	513,095
Student activities	-	-	-	95,545	95,545
Management levy purposes	-	-	-	194,803	194,803
Physical plant and equipment	-	-	-	168,969	168,969
Debt service	-	-	29,667	-	29,667
Unassigned	670,687	-	-	-	670,687
Total fund balances	<u>785,891</u>	<u>513,095</u>	<u>29,667</u>	<u>459,317</u>	<u>1,787,970</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,021,251</u>	<u>\$ 513,095</u>	<u>\$ 380,473</u>	<u>\$ 808,187</u>	<u>\$4,723,006</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, 2018

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$1,787,970</b>
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,582,297
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.	182,523
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.	31,292
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.	(38,954)
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	\$540,019
Deferred inflows of resources	<u>(136,611)</u>
	403,408
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.	<u>(9,138,012)</u>
 <b>Net position of governmental activities</b>	 <b><u><u>\$2,810,524</u></u></b>

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, 2018

Exhibit E

Revenues	General	Capital Projects			Nonmajor Governmental Funds	Total
		Statewide Sales, Services and Use Tax	Construction Project	Debt Service		
Local sources						
Local tax	\$1,611,597	\$ -	\$ -	\$353,216	\$ 427,597	\$2,392,410
Tuition	537,953	-	-	207	-	538,160
Other	82,818	3,386	480	-	234,011	320,695
State sources	2,392,442	343,567	-	1,917	2,320	2,740,246
Federal sources	93,388	-	-	-	-	93,388
Total revenues	<u>4,718,198</u>	<u>346,953</u>	<u>480</u>	<u>355,340</u>	<u>663,928</u>	<u>6,084,899</u>
Expenditures						
Current						
Instruction						
Regular	2,079,448	-	-	-	7,642	2,087,090
Special	473,977	-	-	-	-	473,977
Other	443,762	-	-	-	223,104	666,866
	<u>2,997,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,746</u>	<u>3,227,933</u>
Support services						
Student	147,585	-	-	-	-	147,585
Instructional staff	177,036	-	-	-	11,762	188,798
Administration	641,730	-	-	-	31,711	673,441
Operation and maintenance	420,829	-	-	-	161,309	582,138
Transportation	142,501	-	-	-	10,904	153,405
	<u>1,529,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,686</u>	<u>1,745,367</u>
Other expenditures						
Facilities acquisition	-	266,518	758,787	-	114,814	1,140,119
Long-term debt						
Principal	-	-	-	425,000	-	425,000
Interest and fiscal charges	-	-	-	161,930	-	161,930
AEA flowthrough	162,657	-	-	-	-	162,657
	<u>162,657</u>	<u>266,518</u>	<u>758,787</u>	<u>586,930</u>	<u>114,814</u>	<u>1,889,706</u>
Total expenditures	<u>4,689,525</u>	<u>266,518</u>	<u>758,787</u>	<u>586,930</u>	<u>561,246</u>	<u>6,863,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,673</u>	<u>80,435</u>	<u>(758,307)</u>	<u>(231,590)</u>	<u>102,682</u>	<u>(778,107)</u>
Other financing sources (uses)						
Transfers in	25	-	76,714	236,025	25,351	338,115
Transfers (out)	(25,351)	(236,025)	-	-	(76,714)	(338,090)
Total other financing sources (uses)	<u>(25,326)</u>	<u>(236,025)</u>	<u>76,714</u>	<u>236,025</u>	<u>(51,363)</u>	<u>25</u>
Change in fund balances	3,347	(155,590)	(681,593)	4,435	51,319	(778,082)
Fund balance, beginning of year	782,544	668,685	681,593	25,232	407,998	2,566,052
Fund balance, end of year	<u>\$ 785,891</u>	<u>\$ 513,095</u>	<u>\$ -</u>	<u>\$ 29,667</u>	<u>\$ 459,317</u>	<u>\$1,787,970</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, 2018

Exhibit F

**Change in fund balances - total governmental funds** \$ (778,082)

**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	\$1,027,424	
Depreciation expense	<u>(276,055)</u>	751,369

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. 9,799

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. 12,673

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 425,000

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	(14,995)	
Pension expense	(209,381)	
Other postemployment benefits	<u>(102,368)</u>	(326,744)

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. 2,592

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. 199,407

**Change in net position of governmental activities** \$ 296,014

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

Exhibit G

	<u>Nonmajor Enterprise</u>	<u>Governmental Activity Internal Service</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 49,997	\$ 31,292
Accounts receivable	1,035	-
Inventories	4,335	-
Total current assets	<u>55,367</u>	<u>31,292</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>27,001</u>	-
Total assets	<u>82,368</u>	<u>31,292</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>25,860</u>	-
<b>Liabilities</b>		
Current liabilities		
Accounts payable	828	-
Salaries and benefits payable	15,110	-
Unearned revenue	5,871	-
Total current liabilities	<u>21,809</u>	-
Noncurrent liabilities		
Net pension liability	<u>59,075</u>	-
Total liabilities	<u>80,884</u>	-
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	<u>23,296</u>	-
<b>Net Position</b>		
Investment in capital assets	27,001	-
Unrestricted	<u>(22,953)</u>	<u>31,292</u>
Total net position	<u>\$ 4,048</u>	<u>\$ 31,292</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, 2018

Exhibit H

	Nonmajor Enterprise	Governmental Activity <u>Internal Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$179,999</u>	<u>\$42,533</u>
Operating expenses		
Support services		
Administration	<u>-</u>	<u>29,860</u>
Non-instructional programs		
Food service operations	232,943	-
Preschool operations	<u>38,436</u>	<u>-</u>
Total operating expenses	<u>271,379</u>	<u>29,860</u>
Operating income (loss)	<u>(91,380)</u>	<u>12,673</u>
Non-operating revenues		
Interest income	121	-
State sources	1,703	-
Federal sources	<u>79,285</u>	<u>-</u>
Total non-operating revenues	<u>81,109</u>	<u>-</u>
Change in net position	(10,296)	12,673
Net position beginning of year	<u>14,344</u>	<u>18,619</u>
Net position end of year	<u>\$ 4,048</u>	<u>\$31,292</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018

Exhibit I

	Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 181,858	\$ 42,533
Cash payments to employees for services	(101,081)	-
Cash payments to suppliers for goods and services	<u>(145,575)</u>	<u>(29,860)</u>
Net cash provided by (used in) operating activities	<u>(64,798)</u>	<u>12,673</u>
Cash flows from non-capital financing activities		
State grants received	1,703	-
Federal grants received	<u>69,145</u>	-
Net cash provided by non-capital financing activities	<u>70,823</u>	-
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(6,410)</u>	-
Cash flows from investing activities		
Interest on investments	<u>121</u>	-
Net increase in cash and cash equivalents	(264)	12,673
Cash and cash equivalents, beginning of year	<u>50,261</u>	<u>18,619</u>
Cash and cash equivalents, end of year	<u>\$ 49,997</u>	<u>\$ 31,292</u>
 <b>Reconciliation of operating income (loss) to net cash provided by</b>		
<b>(used in) operating activities</b>		
Operating income (loss)	\$ (91,380)	\$ 12,673
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	4,006	-
Commodities used	10,140	-
(Increase) in accounts receivable	(579)	-
Decrease in inventory	1,801	-
(Increase) in deferred outflows of resources	(7,053)	-
Increase in net pension liability	4,571	-
Increase in deferred inflows of resources	10,417	-
Increase in accounts payable	828	-
Increase in unearned revenue	2,438	-
Increase in accrued salaries and benefits	13	-
Net cash provided by (used in) operating activities	<u>\$ (64,798)</u>	<u>\$ 12,673</u>

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

During the year ended June 30, 2018, the District received \$10,140 of federal commodities.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2018

**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 Balance/Net Position

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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

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

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



Capital Assets - Capital assets, which include property, 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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, 2018. 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.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Springville District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position 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 and unrecognized items not yet charged to pension expense.

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 Balance - 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 \$172,708 for management levy purposes, \$168,969 for physical plant and equipment, \$95,545 for student activities and \$513,095 for school infrastructure.

#### E. Budgets and Budgetary Accounting

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

#### 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, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**Note 3. Interfund Transfers**

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

Transfer To	Transfer From	Amount
Capital Projects		
Physical plant and equipment levy fund	General Fund	\$ 25,351
General Fund	Non-major enterprise	
	School Nutrition Fund	25
Capital Projects	Capital Projects	
Construction project fund	Physical plant and equipment levy fund	76,714
Debt Service Fund	Capital Projects	
	Statewide sales, services & use tax	<u>236,025</u>
		<u>\$ 338,115</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 transfers from General Fund to Physical Plant and Equipment Levy Fund and from the School Nutrition Fund to the General Fund were to reimburse for recode expenditures. The transfer from 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, 2018 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>3,949,516</u>	<u>923,484</u>	<u>(4,873,000)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>4,402,885</u>	<u>923,484</u>	<u>(4,873,000)</u>	<u>453,369</u>
Capital assets being depreciated:				
Buildings & improvements	7,138,947	4,873,000	-	12,011,947
Site Improvements	174,301	6,123	-	180,424
Furniture and equipment	<u>1,780,350</u>	<u>97,867</u>	<u>-</u>	<u>1,878,217</u>
Total capital assets being depreciated	<u>9,093,598</u>	<u>4,976,990</u>	<u>-</u>	<u>14,070,588</u>

Less accumulated depreciation for:				
Buildings and improvements	3,076,491	197,096	-	3,273,587
site Improvements	11,074	3,609	-	14,683
Furniture and equipment	<u>1,578,040</u>	<u>75,350</u>	-	<u>1,653,390</u>
Total accumulated depreciation	<u>4,665,605</u>	<u>276,055</u>	-	<u>4,941,660</u>
Total capital assets being depreciated, net	<u>4,427,993</u>	<u>4,700,935</u>	-	<u>9,128,928</u>
Governmental activities capital assets, net	<u>\$ 8,830,878</u>	<u>\$ 5,624,419</u>	<u>\$ (4,873,000)</u>	<u>\$ 9,582,297</u>

Business type activities

Furniture and equipment				
Less accumulated depreciation	\$ 109,069	\$ 6,410	\$ -	\$ 115,479
Business type activities capital assets, net	<u>84,472</u>	<u>4,006</u>	-	<u>88,478</u>
	<u>\$ 24,597</u>	<u>\$ 2,404</u>	<u>\$ -</u>	<u>\$ 27,001</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 1,921
Support services	
Instructional staff	1,486
Administration	2,613
Operation and maintenance of plant	4,416
Transportation	<u>38,768</u>
	49,204
Unallocated depreciation	<u>226,851</u>
Total governmental activities depreciation expense	<u>\$ 276,055</u>

**Business type activities**

Food services	<u>\$ 4,006</u>
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**Note 5. Long-term Liabilities**

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

	Balance, Beginning of Year, <u>as restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance, End of Year	Due Within <u>One Year</u>
<b>Governmental activities</b>					
General obligation bonds	\$ 4,470,000	\$ -	\$ (255,000)	\$ 4,215,000	\$ 260,000
Revenue refunding bonds	2,635,000	-	(170,000)	2,465,000	175,000
Termination benefits	7,100	22,095	(7,100)	22,095	7,365
Net pension liability	1,755,110	120,554	-	1,875,664	-
Net OPEB liability	<u>457,885</u>	<u>102,368</u>	<u>-</u>	<u>560,253</u>	<u>-</u>
Totals	<u>\$ 9,325,095</u>	<u>\$ 245,017</u>	<u>\$ (432,100)</u>	<u>\$ 9,138,012</u>	<u>\$ 442,365</u>
<b>Business type activities</b>					
Net pension liability	<u>\$ 54,504</u>	<u>\$ 4,571</u>	<u>\$ -</u>	<u>\$ 59,075</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$159,338 for the year ended June 30, 2018. During the year ended June 30, 2018, the District made principal payments on total long-term debt of \$425,000.

#### Refunding Revenue Bonds

Details of the District's June 30, 2018 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of September 2015			
	Interest Rates	Interest	Principal	Total
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	2.55%	41,692	200,000	241,692
2024-2028	2.55%	128,520	1,070,000	1,198,520
2029-2030	2.55%	<u>11,921</u>	<u>465,000</u>	<u>476,921</u>
Totals		<u>\$ 396,970</u>	<u>\$ 2,465,000</u>	<u>\$ 2,861,970</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 \$2,861,970. For the current year,

\$170,000 of principal and \$65,025 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$343,567.

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 were used for construction of an elementary building.

Details of the District’s June 30, 2018 general obligation indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue of July 2016		
		Interest	Principal	Total
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	2.00%	68,905	285,000	353,905
2024-2028	2.00%	258,125	1,310,000	1,568,125
2029-2033	2.0-2.5%	146,460	935,000	1,081,460
2034-2036	2.5-2.7%	<u>33,080</u>	<u>615,000</u>	<u>648,080</u>
Totals		<u>\$ 836,190</u>	<u>\$ 4,215,000</u>	<u>\$ 5,051,190</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 the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general 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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 totaled \$199,407.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$1,934,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions



of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.029307%, which was an increase of 0.000289 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$266,127. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,763	\$ 16,763
Changes of assumptions	336,168	-
Net difference between projected and actual earnings on IPERS' investments	-	20,207
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	12,541	122,937
District contributions subsequent to the measurement date	<u>199,407</u>	<u>-</u>
Total	<u>\$ 565,879</u>	<u>\$ 159,907</u>

\$199,407 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2019	\$ (1,998)
2020	104,444
2021	70,936
2022	9,429
2022	<u>23,754</u>
Total	<u>\$ 206,565</u>

There were no non-employer contributing entities to IPERS.

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

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 %, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% annum, based on 2.60% inflation and 0.65% real wage inflation.

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

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24%	6.25%
International equity	16	6.71
Core plus fixed income	27	2.25
Public credit	3.5	3.46
Public real assets	7	3.27
Cash	1	(0.31)
Private equity	11	11.15
Private real assets	7.5	4.18
Private credit	3	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's proportionate share of the net pension liability	\$3,187,674	\$1,934,739	\$882,033

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](http://www.ipers.org).

Payables to IPERS - At June 30, 2018, the District reported no payables to IPERS for legally required District contributions or 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 administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>58</u>
Total	<u>58</u>

Total OPEB Liability - The District's total OPEB liability of \$560,253 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

Rate of Inflation (effective June 30, 2018)	2.5% per annum.
Rates of salary increase (effective June 30, 2018)	2.5% per annum.
Discount rate (effective June 30, 2018)	3.62% per annum.
Healthcare cost trend rate (effective June 30, 2018)	6.90% initial rate decreasing annually to an ultimate rate of 4.40%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.62% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 457,885
Changes for the year:	
Service cost	87,275
Interest	16,575
Differences between expected and actual experiences	-
Changes in assumptions	(1,482)
Benefit payments	-
Net changes	<u>102,368</u>
Total OPEB liability end of year	<u>\$ 560,253</u>

Changes of assumptions reflect a change in the discount rate from 3.56% in fiscal year 2017 to 3.62% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.62%) or 1% higher (4.62%) than the current discount rate.

	<u>1% Decrease (2.62%)</u>	<u>Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB liability	\$ 585,988	\$ 560,253	\$ 533,262

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.9%) or 1% higher (7.9%) than the current healthcare cost trend rates.

	1% Decrease (5.9%)	Healthcare Cost Trend Rate (6.9%)	1% Increase (7.9%)
Total OPEB liability	\$ 498,118	\$ 560,253	\$ 634,288

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$102,368. At June 30, 2018, the District reported no deferred outflows or inflows of resources related to OPEB.

**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 \$162,657 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, 2018, 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**

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

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

<u>Program</u>	
Home school assistance program	\$ 20,241
Gifted and Talented	7,877
Teacher leadership	2,047
Teacher salary supplement	22,179
Statewide voluntary preschool	7,918
Career and technical education aid	475
Early Literacy	54,426
Educator quality, professional development	41
	<u>\$ 115,204</u>

**Note 12. Deficit Net Position**

The District had the following deficit net position balances at June 30, 2018.

- School Nutrition Fund, unrestricted net position \$32,100
- School Nutrition Fund, total net position \$5,099
- Enterprise Fund, unrestricted net position \$22,953
- Business type activities, unrestricted net position \$22,953
- Governmental activities, unrestricted net position \$1,157,294

**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 2018. The District had entered into contracts totaling \$4,753,315 for the project, of which \$4,710,521 had been completed and paid at June 30, 2018. The remaining balance of \$42,794 will be paid as work on the project progresses.

**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, 2018.

**Note 15. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 2,849,330
OPEB obligation measured under previous standards	122,965
Total OPEB liability at June 30, 2017	<u>(457,885)</u>
Net position July 1, 2017, as restated	<u>\$ 2,514,410</u>

**Note 16. Subsequent Events**

The District has evaluated subsequent events through March 5, 2019 which is the date that the financial statements were available to be issued.

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, 2018

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
<b>Revenues</b>								
Local sources	\$ 3,251,265		\$ 180,120		\$ 3,431,385	\$ 3,334,366	\$ 3,334,366	\$ 97,019
State sources	2,740,246		1,703		2,741,949	2,781,950	2,781,950	(40,001)
Federal sources	93,388		79,285		172,673	190,000	190,000	(17,327)
Total revenues	<u>6,084,899</u>		<u>261,108</u>		<u>6,346,007</u>	<u>6,306,316</u>	<u>6,306,316</u>	<u>39,691</u>
<b>Expenditures/Expenses</b>								
Instruction	3,227,933		-		3,227,933	3,365,900	3,365,900	137,967
Support services	1,745,367		-		1,745,367	1,776,626	1,776,626	31,259
Non-instructional programs	-		271,379		271,379	231,000	299,000	27,621
Other expenditures	1,889,706		-		1,889,706	1,475,524	2,095,000	205,294
Total expenditures/expenses	<u>6,863,006</u>		<u>271,379</u>		<u>7,134,385</u>	<u>6,849,050</u>	<u>7,536,526</u>	<u>402,141</u>
(Deficiency) of revenues (under) expenditures/expenses	(778,107)		(10,271)		(788,378)	(542,734)	(1,230,210)	441,832
Net other financing sources (uses)	<u>25</u>		<u>(25)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(778,082)		(10,296)		(788,378)	(542,734)	(1,230,210)	441,832
Balance, beginning of year	2,566,052		14,344		2,580,396	1,749,018	1,749,018	831,378
Balance, end of year	<u>\$ 1,787,970</u>		<u>\$ 4,048</u>		<u>\$ 1,792,018</u>	<u>\$ 1,206,284</u>	<u>\$ 518,808</u>	<u>\$ 1,273,210</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2018

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 amended its budget during the year ended June 30, 2018, increasing expenditures by \$687,476.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 Iowa Public Employees' Retirement System  
 For the Last Four Years\*  
 Required Supplementary Information

	2018	2017	2016	2015
District's proportion of the net pension liability	0.029307%	0.029018%	0.030125%	0.033534%
District's proportionate share of the net pension liability	\$1,934,739	\$1,809,614	\$ 1,497,628	\$1,357,157
District's covered payroll	\$2,177,525	\$2,078,153	\$ 2,082,631	\$2,239,250
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.85%	87.08%	71.91%	60.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\*In accordance with GASB Statement No. 68, the 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>2018</u>	<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>
Statutorily required contribution	\$ 199,407	\$ 194,453	\$ 185,579	\$ 185,979	\$ 199,965	\$ 192,514	\$ 168,343	\$ 140,163	\$ 142,110	\$ 138,604
Contributions in relation to the statutorily required contribution	<u>(199,407)</u>	<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>
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 payroll	\$2,233,005	\$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
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Pension Liability  
For the Year Ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

Springville Community School District  
Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes  
For the Current Year  
Required Supplementary Information

	2018
Service cost	\$ 87,275
Interest cost	16,575
Difference between expected and actual experiences	-
Changes in assumptions	(1,482)
Benefit payments	-
Net change in total OPEB liability	102,368
Total OPEB liability beginning of year, as restated	457,885
Total OPEB liability end of year	\$ 560,253
Covered-employee payroll	\$ 1,677,184
Total OPEB liability as a percentage of covered -employee payroll	33.40%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30,2018	3.62%
Year ended June 30,2017	3.56%

Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2018

Schedule 1

	Special Revenue		Capital Projects	
	Student	Management	Physical	
	<u>Activity</u>	<u>Levy</u>	Plant & <u>Equipment Levy</u>	<u>Total</u>
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$103,719	\$194,008	\$169,803	\$467,530
Receivables				
Property tax				
Delinquent	-	795	941	1,736
Succeeding year	-	100,000	238,508	338,508
Accounts receivable	413	-	-	413
Total assets	<u>\$104,132</u>	<u>\$294,803</u>	<u>\$409,252</u>	<u>\$808,187</u>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	<u>\$ 8,587</u>	<u>\$ -</u>	<u>\$ 1,775</u>	<u>\$ 10,362</u>
 Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	<u>-</u>	<u>100,000</u>	<u>238,508</u>	<u>338,508</u>
 Fund balances				
Restricted for				
Student activities	95,545	-	-	95,545
Management levy purposes	-	194,803	-	194,803
Physical plant and equipment	<u>-</u>	<u>-</u>	<u>168,969</u>	<u>168,969</u>
Total fund balances	<u>95,545</u>	<u>194,803</u>	<u>168,969</u>	<u>459,317</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$104,132</u>	<u>\$294,803</u>	<u>\$409,252</u>	<u>\$808,187</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, 2018

Schedule 2

	Special Revenue		Capital Projects Physical Plant & Equipment Levy	Total
	Student Activity	Management Levy	Levy	Total
Revenues				
Local sources				
Local taxes	\$ -	\$ 195,812	\$ 231,785	\$427,597
Other	219,972	4,152	9,887	234,011
State sources	-	1,062	1,258	2,320
Total revenues	219,972	201,026	242,930	663,928
Expenditures				
Current				
Instruction				
Regular	-	7,642	-	7,642
Other	223,104	-	-	223,104
Total instruction	223,104	7,642	-	230,746
Support services				
Instructional staff	-	-	11,762	11,762
Administration	-	22,682	9,029	31,711
Operation and maintenance of plant	-	68,202	93,107	161,309
Transportation	-	10,904	-	10,904
Total support services	-	101,788	113,898	215,686
Other expenditures				
Facilities acquisition	-	-	114,814	114,814
Total expenditures	223,104	109,430	228,712	561,246
Excess (deficiency) of revenues over (under) expenditures	(3,132)	91,596	14,218	102,682
Other financing sources (uses)				
Transfers in	-	-	25,351	25,351
Transfers (out)	-	-	(76,714)	(76,714)
Total other financing (uses)	-	-	(51,363)	(51,363)
Change in fund balances	(3,132)	91,596	(37,145)	51,319
Fund balances, beginning of year	98,677	103,207	206,114	407,998
Fund balances, end of year	\$95,545	\$ 194,803	\$ 168,969	\$459,317

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2018

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 29,537	\$20,460	\$49,997
Accounts receivable	1,035	-	1,035
Inventories	4,335	-	4,335
Total current assets	<u>34,907</u>	<u>20,460</u>	<u>55,367</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	27,001	-	27,001
Total assets	<u>61,908</u>	<u>20,460</u>	<u>82,368</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>21,368</u>	<u>4,492</u>	<u>25,860</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	30	798	828
Salaries and benefits payable	10,117	4,993	15,110
Unearned revenue	5,871	-	5,871
Total current liabilities	<u>16,018</u>	<u>5,791</u>	<u>21,809</u>
Noncurrent liabilities			
Net pension liability	53,419	5,656	59,075
Total liabilities	<u>69,437</u>	<u>11,447</u>	<u>80,884</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>18,938</u>	<u>4,358</u>	<u>23,296</u>
<b>Net Position</b>			
Investment in capital assets	27,001	-	27,001
Unrestricted	<u>(32,100)</u>	<u>9,147</u>	<u>(22,953)</u>
Total net position	<u>\$ (5,099)</u>	<u>\$ 9,147</u>	<u>\$ 4,048</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, 2018

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Operating revenue			
Local sources			
Charges for service	\$ 130,781	\$ 49,218	\$179,999
Operating expenses			
Non-instructional programs			
Salaries	57,504	25,759	83,263
Benefits	12,993	10,163	23,156
Purchased services	26,246	-	26,246
Supplies	129,384	2,514	131,898
Property	2,810	-	2,810
Depreciation	4,006	-	4,006
	<u>232,943</u>	<u>38,436</u>	<u>271,379</u>
Operating income (loss)	<u>(102,162)</u>	<u>10,782</u>	<u>(91,380)</u>
Non-operating revenue			
Interest income	121	-	121
State sources	1,703	-	1,703
Federal sources	79,285	-	79,285
Total non-operating revenue	<u>81,109</u>	<u>-</u>	<u>81,109</u>
Net income (loss) before transfers	(21,053)	10,782	(10,271)
Transfers (out)	(25)	-	(25)
Change in net position	<u>(21,078)</u>	<u>10,782</u>	<u>(10,296)</u>
Net position beginning of year	15,979	(1,635)	14,344
Net position end of year	<u>\$ (5,099)</u>	<u>\$ 9,147</u>	<u>\$ 4,048</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, 2018

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	\$ 132,640	\$ 49,218	\$181,858
Cash payments to employees for services	(70,329)	(30,752)	(101,081)
Cash payments to suppliers for goods and services	<u>(143,859)</u>	<u>(1,716)</u>	<u>(145,575)</u>
Net cash provided by (used in) operating activities	<u>(81,548)</u>	<u>16,750</u>	<u>(64,798)</u>
Cash flows from non-capital financing activities			
State grants received	1,703	-	1,703
Federal grants received	<u>69,145</u>	<u>-</u>	<u>69,145</u>
Net cash provided by non-capital financing activities	<u>70,823</u>	<u>-</u>	<u>70,823</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(6,410)</u>	<u>-</u>	<u>(6,410)</u>
Cash flows from investing activities			
Interest on investments	<u>121</u>	<u>-</u>	<u>121</u>
Net increase (decrease) in cash and cash equivalents	(17,014)	16,750	(264)
Cash and cash equivalents, beginning of year	<u>46,551</u>	<u>3,710</u>	<u>50,261</u>
Cash and cash equivalents, end of year	<u>\$ 29,537</u>	<u>\$ 20,460</u>	<u>\$ 49,997</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss )	\$(102,162)	\$ 10,782	\$ (91,380)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	4,006	-	4,006
Commodities used	10,140	-	10,140
(Increase) in accounts receivable	(579)	-	(579)
Decrease in inventory	1,801	-	1,801
(Increase) in deferred outflows of resources	(5,054)	(1,999)	(7,053)
Increase in net pension liability	3,287	1,284	4,571
Increase in deferred inflows of resources	7,474	2,943	10,417
Increase in accounts payable	30	798	828
Increase in unearned revenue	2,438	-	2,438
Increase (decrease) in accrued salaries and benefits	<u>(2,929)</u>	<u>2,942</u>	<u>13</u>
Net cash provided by (used in) operating activities	<u>\$ (81,548)</u>	<u>\$ 16,750</u>	<u>\$ (64,798)</u>

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

During the year ended June 30, 2018, the District received \$10,140 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, 2018

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Cross country	\$ 797	\$ 153	\$ 251	\$ 699
Boys basketball	7,811	14,953	15,526	7,238
Football	5,228	23,207	28,034	401
Boys baseball	153	6,113	5,768	498
Boys track	42	-	-	42
Boys golf	194	301	99	396
Wrestling	108	-	-	108
Girls basketball	7,637	15,969	17,113	6,493
Girls volleyball	779	5,015	4,920	874
Girls softball	558	6,399	5,077	1,880
Girls track	100	-	-	100
Gate money	7,621	72,138	75,632	4,127
Weight room	105	3,051	2,121	1,035
Cheerleading	772	1,887	1,604	1,055
Vocal resale	4,773	2,175	2,628	4,320
HS instrumental	78	1,620	1,095	603
HS musical	1,500	1,460	1,344	1,616
Supply store	406	2	-	408
Pictures	7,812	774	2,217	6,369
Jump Rope for Heart	124	1	-	125
Student senate - elementary	794	3	-	797
Fine arts	810	1,194	2,004	-
Elementary instrumental resale	2,678	178	-	2,856
Coding club	-	251	-	251
Book fair	4,378	5,459	5,476	4,361
Drama	1,304	172	187	1,289
Art club	5,485	3,371	3,605	5,251
Dance	1,023	1,190	1,108	1,105
TADA	164	1	-	165
Garden project	427	2	-	429
MS Science Club	728	3	-	731
Archery Program	13,740	27,381	20,877	20,244

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, 2018

Schedule 6

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Yearbook	\$ 3,082	\$ 3,111	\$ 3,551	\$ 2,642
Mfg. Enterprise	43	-	-	43
Student senate - MS	2,538	190	180	2,548
Student senate - HS	3,117	303	162	3,258
Class of 2017	2,019	30	2,049	-
Class of 2018	5,971	2,775	6,488	2,258
Class of 2019	832	10,934	8,254	3,512
Class of 2020	258	-	165	93
Class of 2021	70	3,318	2,557	831
Class of 2022	893	191	756	328
Class of 2023	99	-	-	99
FFA	1,448	4,696	2,256	3,888
Instrument repair	178	1	-	179
Totals	<u>\$ 98,677</u>	<u>\$ 219,972</u>	<u>\$ 223,104</u>	<u>\$ 95,545</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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Local sources										
Local tax	\$2,392,410	\$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
Tuition	538,160	528,356	469,444	403,462	330,235	420,570	184,590	285,147	349,221	305,429
Other	320,695	391,582	291,860	254,517	246,897	217,782	169,937	170,552	174,992	237,613
State sources	2,740,246	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
Federal sources	93,388	128,290	88,900	81,442	82,722	139,752	187,134	250,962	298,143	169,611
<b>Total revenues</b>	<b>\$6,084,899</b>	<b>\$5,965,831</b>	<b>\$5,248,711</b>	<b>\$4,862,864</b>	<b>\$4,607,355</b>	<b>\$4,714,930</b>	<b>\$4,866,282</b>	<b>\$5,283,810</b>	<b>\$5,058,486</b>	<b>\$5,115,969</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$2,087,090	\$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
Special	473,977	519,098	406,920	426,288	490,347	507,369	376,048	307,526	425,680	477,178
Other	666,866	534,380	471,764	436,067	417,308	391,423	375,020	417,725	271,551	465,028
Support services										
Student	147,585	142,273	138,714	144,907	135,274	148,088	137,542	119,006	100,736	99,912
Instructional staff	188,798	167,015	150,720	124,252	195,333	97,858	94,894	77,947	109,824	124,337
Administration	673,441	646,408	780,873	547,316	622,837	686,507	647,203	555,462	517,238	531,365
Operation and maintenance of plant	582,138	498,246	394,878	345,552	399,220	425,248	414,565	394,143	369,381	374,395
Transportation	153,405	165,081	208,964	152,371	247,533	181,760	220,395	111,520	123,553	131,807
Other expenditures										
Facilities acquisition	1,140,119	3,978,041	267,813	18,745	30,052	68,943	89,259	1,698,201	2,531,340	213,318
Long-term debt										
Principal	425,000	440,000	3,222,936	125,000	120,000	235,000	225,000	220,000	185,000	180,000
Interest and other charges	161,930	247,822	104,552	143,057	147,957	156,468	165,119	173,429	99,822	71,134
AEA flowthrough	162,657	157,192	160,905	160,956	159,107	154,723	156,677	176,060	175,015	164,655
<b>Total expenditures</b>	<b>\$6,863,006</b>	<b>\$9,634,345</b>	<b>\$8,325,281</b>	<b>\$4,597,560</b>	<b>\$5,028,374</b>	<b>\$5,103,645</b>	<b>\$4,936,197</b>	<b>\$6,107,004</b>	<b>\$6,881,612</b>	<b>\$4,790,831</b>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 5, 2019.

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

#### 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, 2018 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 5, 2019

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

**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, 2018

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

1. Certified Budget - Expenditures for the year ended June 30, 2018 did not exceed the certified budget amounts.
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 - Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. Weighted enrollment was overstated by .306 due to the District including concurrent classes that were not allowable for supplementary weighting.

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

Response - We have contacted the Iowa Department of Management and the Iowa Department of Education, as recommended.

Conclusion - Response accepted.

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.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

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.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 668,685
Revenues		
Statewide sales and services tax revenue	\$ 343,567	
Interest earned	<u>3,386</u>	346,953
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 266,518	
Debt service for school infrastructure		
General obligation debt	<u>236,025</u>	<u>502,543</u>
Ending balance		<u>\$ 513,095</u>

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

13. Deficit Net Position - The District had the following negative fund balances at June 30, 2018:
  - School Nutrition Fund, unrestricted net position \$32,100
  - School Nutrition Fund, total net position \$5,099
  - Enterprise Funds, unrestricted net position \$22,953
  - Business type activities, unrestricted net position \$22,953
  - Governmental activities, unrestricted net position \$1,157,294

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2018

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, 2018

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant