

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Sergeant Bluff-Luton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jeff Wright	President	2019
Tammy Matthey	Vice President	2019
Amiee Krogh	Board Member	2019
Mike Laughlin	Board Member	2017
David Schaar	Board Member	2017
School Officials		
Dr. Rod Earleywine	Superintendent	2017
Kathy Nissen	Board Secretary/Treasurer	2017
Denise Patterson	Business Manager	2017
Ahlers & Cooney, P.C.	Attorney	2017

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Telephone (641) 792-1910

INDEPENDENT AUDITORS REPORT

To the Board of Education of Sergeant Bluff-Luton Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sergeant Bluff-Luton Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended 2016 and the two years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2018 on our consideration of Sergeant Bluff-Luton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sergeant Bluff-Luton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2018
Newton, Iowa

Sergeant Bluff-Luton Community School District



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,600,926 in fiscal year 2016 to \$18,313,565 in fiscal year 2017, while General Fund expenditures increased from \$16,410,001 in fiscal year 2016 to \$17,350,498 in fiscal year 2017. The District's General Fund balance increased from \$2,786,560 at June 30, 2016 to \$3,749,627 at June 30, 2017.
- The increase in General Fund revenues was mainly attributable to an increase in local tax, state sources, and federal sources received. The increase in expenditures was due mostly to the increase in support services expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sergeant Bluff-Luton 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 Sergeant Bluff-Luton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sergeant Bluff-Luton Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

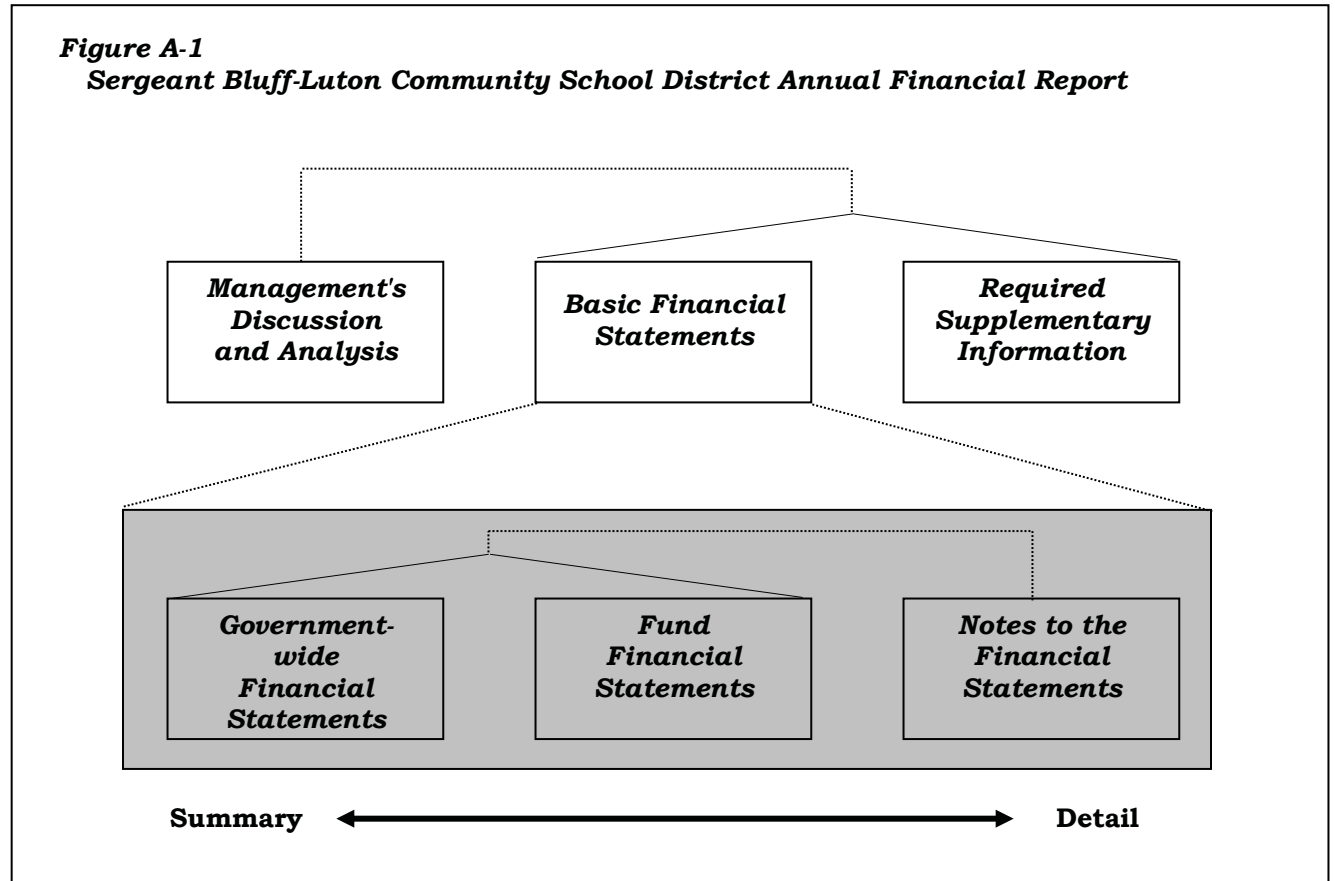


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflows of resources. 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and early childhood program are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Early Childhood Fund. The District's Internal Service Funds, another type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two Internal Service Funds accounting for self-funded insurance and employee flex benefits.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 16,959,737	\$ 16,027,067	524,897	517,114	17,484,634	16,544,181	5.68%
Capital assets	17,524,135	17,777,387	35,433	28,122	17,559,568	17,805,509	-1.38%
Total assets	34,483,872	33,804,454	560,330	545,236	35,044,202	34,349,690	2.02%
Deferred outflows of resources	2,619,926	1,352,485	105,667	56,188	2,725,593	1,408,673	93.49%
Long-term liabilities	14,060,936	12,935,304	429,475	368,166	14,490,411	13,303,470	8.92%
Other liabilities	2,268,433	2,208,827	42,706	48,461	2,311,139	2,257,288	2.39%
Total liabilities	16,329,369	15,144,131	472,181	416,627	16,801,550	15,560,758	7.97%
Deferred inflows of resources	8,073,743	8,832,820	7,865	29,296	8,081,608	8,862,116	-8.81%
Net position:							
Net investment in capital assets	16,425,135	15,598,387	35,433	28,122	16,460,568	15,626,509	5.34%
Restricted	3,354,014	3,069,243	-	-	3,354,014	3,069,243	9.28%
Unrestricted	(7,078,463)	(7,487,642)	150,518	127,379	(6,927,945)	(7,360,263)	5.87%
Total net position	\$ 12,700,686	\$ 11,179,988	185,951	155,501	12,886,637	11,335,489	13.68%

The District's total net position increased by 13.68%, or \$1,551,148, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted

net position increased \$284,771, or 9.28% from the prior year. The increase was primarily the result of an increase in the Capital Projects: Statewide sales, services and use tax.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$432,318, or 5.87%. This increase in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 2,683,405	\$ 2,844,169	674,413	638,204	3,357,818	3,482,373	-3.58%
Operating grants, contributions and restricted interest	1,490,004	1,245,678	355,849	349,186	1,845,853	1,594,864	15.74%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	0%
General revenues:							
Property tax	8,091,499	6,942,792	-	-	8,091,499	6,942,792	16.55%
Statewide sales, services and use tax	1,342,409	1,310,605	-	-	1,342,409	1,310,605	2.43%
Unrestricted state grants	7,747,381	7,500,520	-	-	7,747,381	7,500,520	3.29%
Unrestricted investment earnings	115,069	105,033	3,435	3,363	118,504	108,396	9.33%
Other	69,718	59,007	2,458	2,652	72,176	61,659	17.06%
Total revenues	<u>21,539,485</u>	<u>20,007,804</u>	<u>1,036,155</u>	<u>993,405</u>	<u>22,575,640</u>	<u>21,001,209</u>	<u>7.50%</u>
Program expenses:							
Instruction	13,206,530	14,387,818	-	-	13,206,530	14,387,818	-8.21%
Support services	5,513,112	4,797,974	40,806	48,643	5,553,918	4,846,617	14.59%
Non-instructional programs	3,384	3,650	964,899	1,069,035	968,283	1,072,685	-9.73%
Other expenses	1,295,761	1,290,189	-	-	1,295,761	1,290,189	0.43%
Total expenses	<u>20,018,787</u>	<u>20,479,631</u>	<u>1,005,705</u>	<u>1,117,678</u>	<u>21,024,492</u>	<u>21,597,309</u>	<u>-2.65%</u>
Change in net position	1,520,698	(471,827)	30,450	(124,273)	1,551,148	(596,100)	360.22%
Net position beginning of year	<u>11,179,988</u>	<u>11,651,815</u>	<u>155,501</u>	<u>279,774</u>	<u>11,335,489</u>	<u>11,931,589</u>	<u>-5.00%</u>
Net position end of year	<u>\$ 12,700,686</u>	<u>\$ 11,179,988</u>	<u>185,951</u>	<u>155,501</u>	<u>12,886,637</u>	<u>11,335,489</u>	<u>13.68%</u>

In fiscal year 2017, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 79.77% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 99.43% of the revenue from business type activities.

The District's total revenues were approximately \$22.58 million, of which approximately \$21.54 million was for governmental activities and approximately \$1.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.50% increase in revenues and a 2.65% decrease in expenses. The increase in revenues was a result of an increase in property tax. The increase in expenses is due in part to a decrease in instruction program expenses.

Governmental Activities

Revenues for governmental activities were \$21,539,485 and expenses were \$20,018,787 for the year ended June 30, 2017.

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

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2017	2016	2016-17	2017	2016	2016-17
Instruction	\$ 13,206,530	14,387,818	-8.21%	9,736,904	11,005,356	-11.53%
Support services	5,513,112	4,797,974	14.90%	5,441,780	4,697,588	15.84%
Non-instructional programs	3,384	3,650	-7.29%	3,384	3,650	-7.29%
Other expenses	1,295,761	1,290,189	0.43%	663,310	683,190	-2.91%
Total	<u>\$ 20,018,787</u>	<u>20,479,631</u>	<u>-2.25%</u>	<u>15,845,378</u>	<u>16,389,784</u>	<u>-3.32%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$2,683,405.
- Federal and state governments, along with contributions from local sources, subsidized certain programs with grants and contributions totaling \$1,490,004.
- The net cost of governmental activities was financed with \$8,091,499 in property tax, \$1,342,409 in statewide sales, services and use tax, \$7,747,381 in unrestricted state grants, \$115,069 in interest income and \$69,718 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$1,036,155 and expenses were \$1,005,705. The District’s business type activities include the School Nutrition Fund and the Early Childhood Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sergeant Bluff-Luton 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 \$6,533,166, above last year’s ending fund balances of \$5,396,008. The increase in ending fund balances is mainly attributable to the increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position improved over the past fiscal year. The increase in revenues outpaced the increase in expenditures resulting in an increase in General Fund balance. The General Fund balance increased from \$2,786,560 to \$3,749,627. The District Administration and Board of Education continues their commitment to District financial stability and will continue to monitor the budget closely.
- The Capital Projects Fund balanced increased from \$1,178,197 to \$1,638,999. The primary reason for this increase is due to the decrease in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$11,346 at June 30, 2016 to \$31,241 at June 30, 2017, representing an increase of 175.35%.

The Early Childhood Fund net position increased from \$144,155 at June 30, 2016 to \$154,710 at June 30, 2017, representing an increase of 7.32%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District amended its budget one time to reflect additional expenditures to cover costs associated with the flood at the middle school.

The District's revenues were \$1,520,091 less than budgeted revenues, a variance of 6.31%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested approximately \$17.56 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.38% from last year. More detailed information about the District's capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$821,951.

The original cost of the District's capital assets was approximately \$33.81 million. Governmental activities accounted for approximately \$33.36 million, with the remainder of approximately \$0.45 million accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$1,125,378 at June 30, 2017, compared to \$702,149 at June 30, 2016. This decrease resulted from the completion of the track project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 972,423	\$ 972,423	-	-	972,423	972,423	0.00%
Buildings	14,591,066	15,120,676	-	-	14,591,066	15,120,676	-3.50%
Land improvements	1,125,378	702,149	-	-	1,125,378	702,149	60.28%
Intangible assets	15,516	18,619	-	-	15,516	18,619	-16.67%
Machinery and equipment	819,752	963,520	35,433	28,122	855,185	991,642	-13.76%
Total	<u>\$ 17,524,135</u>	<u>17,777,387</u>	<u>35,433</u>	<u>28,122</u>	<u>17,559,568</u>	<u>17,805,509</u>	<u>-1.38%</u>

Long-Term Debt

At June 30, 2017, the District had \$1,099,000 in revenue bond obligation and other long-term debt outstanding. This represents a decrease of 49.56% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had total outstanding revenue bond indebtedness at June 30, 2017 of \$1,099,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-17
General obligation bonds	\$ -	\$ 580,000	-100.00%
Revenue bonds	1,099,000	1,599,000	-31.27%
Total	<u>\$ 1,099,000</u>	<u>2,179,000</u>	<u>-49.56%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's enrollment has remained steady with slight growth over the last 10 years.
- The Board of Education will continue to evaluate cost saving measures for implementation to ensure the financial stability of our District.
- The Southbridge economic development project will increase our Debt Service and PPEL property tax valuation. CF Industries completed a \$1.7 billion ammonia facility. This will add \$26 million of taxable valuation each year commencing Fiscal Year 2018 until Fiscal

Year 2032. It is projected that a minimum of \$599 million of taxable valuation will be added by Fiscal Year 2032. The actual tax valuation increase for fiscal year 2018 was 22%.

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 Denise Patterson, Business Manager, Sergeant Bluff-Luton Community School District, 201 Port Neal Road, Sergeant Bluff, Iowa 51054.

Basic Financial Statements

EXHIBIT A

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 8,418,964	488,438	8,907,402
Receivables:			
Property tax:			
Delinquent	26,459	-	26,459
Succeeding year	7,887,790	-	7,887,790
Accounts	9,649	8,594	18,243
Due from other governments	616,875	-	616,875
Inventories	-	27,865	27,865
Capital assets not being depreciated:			
Land	972,423	-	972,423
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	16,551,712	35,433	16,587,145
Total assets	34,483,872	560,330	35,044,202
Deferred Outflows of Resources			
Pension related deferred outflows	2,619,926	105,667	2,725,593
Liabilities			
Accounts payable	305,103	233	305,336
Salaries and benefits payable	1,953,714	20,245	1,973,959
Accrued interest payable	9,616	-	9,616
Unearned revenue	-	22,228	22,228
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	506,000	-	506,000
Portion due after one year:			
Revenue bonds payable	593,000	-	593,000
Net pension liability - early retirement	37,769	-	37,769
Net pension liability - IPERS	9,251,772	407,704	9,659,476
Net OPEB liability	3,672,395	21,771	3,694,166
Total liabilities	16,329,369	472,181	16,801,550
Deferred Inflows of Resources			
Unavailable property tax revenue	7,887,790	-	7,887,790
Pension related deferred inflows	185,953	7,865	193,818
Total deferred inflows of resources	8,073,743	7,865	8,081,608
Net Position			
Net investment in capital assets	16,425,135	35,433	16,460,568
Restricted for:			
Categorical funding	550,091	-	550,091
Debt service	46,067	-	46,067
Management levy purposes	824,555	-	824,555
Student activities	264,302	-	264,302
School infrastructure	1,392,991	-	1,392,991
Physical plant and equipment	276,008	-	276,008
Unrestricted	(7,078,463)	150,518	(6,927,945)
Total net position	\$ 12,700,686	185,951	12,886,637

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 8,198,926	1,717,741	70,038	(6,411,147)	-	(6,411,147)
Special	2,870,585	477,615	289,133	(2,103,837)	-	(2,103,837)
Other	2,137,019	474,439	440,660	(1,221,920)	-	(1,221,920)
	<u>13,206,530</u>	<u>2,669,795</u>	<u>799,831</u>	<u>(9,736,904)</u>	<u>-</u>	<u>(9,736,904)</u>
Support services:						
Student	384,141	-	-	(384,141)	-	(384,141)
Instructional staff	1,213,393	-	4,628	(1,208,765)	-	(1,208,765)
Administration	1,529,487	-	-	(1,529,487)	-	(1,529,487)
Operation and maintenance of plant	1,847,011	-	-	(1,847,011)	-	(1,847,011)
Transportation	539,080	13,610	53,094	(472,376)	-	(472,376)
	<u>5,513,112</u>	<u>13,610</u>	<u>57,722</u>	<u>(5,441,780)</u>	<u>-</u>	<u>(5,441,780)</u>
Non-instructional programs:						
Food service operations	2,079	-	-	(2,079)	-	(2,079)
Community service operations	1,305	-	-	(1,305)	-	(1,305)
	<u>3,384</u>	<u>-</u>	<u>-</u>	<u>(3,384)</u>	<u>-</u>	<u>(3,384)</u>
Long-term debt interest	30,875	-	-	(30,875)	-	(30,875)
Other expenditures:						
AEA flowthrough	632,451	-	632,451	-	-	-
Depreciation(unallocated)*	632,435	-	-	(632,435)	-	(632,435)
	<u>1,264,886</u>	<u>-</u>	<u>632,451</u>	<u>(632,435)</u>	<u>-</u>	<u>(632,435)</u>
Total governmental activities	<u>20,018,787</u>	<u>2,683,405</u>	<u>1,490,004</u>	<u>(15,845,378)</u>	<u>-</u>	<u>(15,845,378)</u>
Business type activities:						
Support services:						
Administration	40,806	-	-	-	(40,806)	(40,806)
Non-instructional programs:						
Food service operations	749,788	415,961	355,849	-	22,022	22,022
Community service operations	215,111	258,452	-	-	43,341	43,341
	<u>964,899</u>	<u>674,413</u>	<u>355,849</u>	<u>-</u>	<u>65,363</u>	<u>65,363</u>
Total business type activities	<u>1,005,705</u>	<u>674,413</u>	<u>355,849</u>	<u>-</u>	<u>24,557</u>	<u>24,557</u>
Total	<u>\$ 21,024,492</u>	<u>3,357,818</u>	<u>1,845,853</u>	<u>(15,845,378)</u>	<u>24,557</u>	<u>(15,820,821)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 7,281,881	-	7,281,881
Debt service				587,793	-	587,793
Capital outlay				221,825	-	221,825
Statewide sales, services and use tax				1,342,409	-	1,342,409
Unrestricted state grants				7,747,381	-	7,747,381
Unrestricted investment earnings				115,069	3,435	118,504
Other				69,718	2,458	72,176
Total general revenues				<u>17,366,076</u>	<u>5,893</u>	<u>17,371,969</u>
Change in net position				1,520,698	30,450	1,551,148
Net position beginning of year				<u>11,179,988</u>	<u>155,501</u>	<u>11,335,489</u>
Net position end of year				<u>\$ 12,700,686</u>	<u>185,951</u>	<u>12,886,637</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 5,423,021	1,558,684	1,156,645	8,138,350
Receivables:				
Property tax:				
Delinquent	22,406	650	3,403	26,459
Succeeding year	6,945,848	228,770	713,172	7,887,790
Accounts	9,649	-	-	9,649
Due from other governments	505,157	111,718	-	616,875
Total assets	\$ 12,906,081	1,899,822	1,873,220	16,679,123
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 256,892	32,053	15,508	304,453
Salaries and benefits payable	1,953,714	-	-	1,953,714
Total liabilities	2,210,606	32,053	15,508	2,258,167
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,945,848	228,770	713,172	7,887,790
Fund balances:				
Restricted for:				
Categorical funding	550,091	-	-	550,091
Debt service	-	-	55,683	55,683
Management levy purposes	-	-	824,555	824,555
Student activities	-	-	264,302	264,302
School infrastructure	-	1,362,991	-	1,362,991
Physical plant and equipment	-	276,008	-	276,008
Unassigned	3,199,536	-	-	3,199,536
Total fund balances	3,749,627	1,638,999	1,144,540	6,533,166
Total liabilities, deferred inflows of resources and fund balances	\$ 12,906,081	1,899,822	1,873,220	16,679,123

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds (page 20)	\$	6,533,166
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		17,524,135
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 government funds.		(9,616)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		279,964
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	\$ 2,619,926	
Deferred inflows of resources	<u>(185,953)</u>	2,433,973
Long-term liabilities, including, revenue bonds payable, net pension liability-early retirement, net pension liability-IPERS, and other postemployment benefits payable, are not due in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(14,060,936)</u>
Net position of governmental activities (page 18)	\$	<u>12,700,686</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 6,780,168	221,825	1,089,506	8,091,499
Tuition	2,093,447	-	-	2,093,447
Other	285,287	21,306	490,058	796,651
State sources	8,662,470	1,353,384	49,841	10,065,695
Federal sources	492,193	-	-	492,193
Total revenues	<u>18,313,565</u>	<u>1,596,515</u>	<u>1,629,405</u>	<u>21,539,485</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,673,939	85,585	189,151	7,948,675
Special	2,586,336	-	-	2,586,336
Other	1,885,734	665	441,032	2,327,431
	<u>12,146,009</u>	<u>86,250</u>	<u>630,183</u>	<u>12,862,442</u>
Support services:				
Student	286,894	29,154	16,963	333,011
Instructional staff	1,044,150	44,373	2,748	1,091,271
Administration	1,383,411	71,796	28,584	1,483,791
Operation and maintenance of plant	1,451,469	150,014	191,970	1,793,453
Transportation	406,114	16,000	16,256	438,370
	<u>4,572,038</u>	<u>311,337</u>	<u>256,521</u>	<u>5,139,896</u>
Non-instructional programs:				
Food service operations	-	-	2,079	2,079
Community service operations	-	-	1,305	1,305
	<u>-</u>	<u>-</u>	<u>3,384</u>	<u>3,384</u>
Capital outlay	-	646,543	-	646,543
Long-term debt:				
Principal	-	-	1,080,000	1,080,000
Interest and fiscal charges	-	-	37,611	37,611
	<u>-</u>	<u>-</u>	<u>1,117,611</u>	<u>1,117,611</u>
Other expenditures:				
AEA flowthrough	632,451	-	-	632,451
Total expenditures	<u>17,350,498</u>	<u>1,044,130</u>	<u>2,007,699</u>	<u>20,402,327</u>
Excess(Deficiency) of revenues over(under) expenditures	963,067	552,385	(378,294)	1,137,158
Other financing sources(uses):				
Transfer in	-	-	91,583	91,583
Transfer out	-	(91,583)	-	(91,583)
Total other financing sources(uses)	<u>-</u>	<u>(91,583)</u>	<u>91,583</u>	<u>-</u>
Change in fund balances	963,067	460,802	(286,711)	1,137,158
Fund balances beginning of year	<u>2,786,560</u>	<u>1,178,197</u>	<u>1,431,251</u>	<u>5,396,008</u>
Fund balances end of year	<u>\$ 3,749,627</u>	<u>1,638,999</u>	<u>1,144,540</u>	<u>6,533,166</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ 1,137,158

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

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

Capital outlay	\$ 606,231	
Depreciation expense	(817,151)	
Loss on disposal	(42,333)	(253,253)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. 1,080,000

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. 6,736

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance on an entity-wide basis. 49,949

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. 1,003,981

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:

Pension expense - IPERS	(1,101,996)	
Pension expense - early retirement	(19,903)	
Other postemployment benefits	(381,974)	(1,503,873)

Change in net position of governmental activities (page 19) \$ 1,520,698

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
Assets				
Current assets:				
Cash and pooled investments	\$ 195,726	292,712	488,438	280,614
Accounts receivable	44	8,550	8,594	-
Inventories	27,865	-	27,865	-
Total current assets	<u>223,635</u>	<u>301,262</u>	<u>524,897</u>	<u>280,614</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	35,433	-	35,433	-
Total assets	<u>259,068</u>	<u>301,262</u>	<u>560,330</u>	<u>280,614</u>
Deferred Outflows of Resources				
Pension related deferred outflows	63,654	42,013	105,667	-
Liabilities				
Current liabilities:				
Accounts payable	233	-	233	650
Salaries and benefits payable	16,833	3,412	20,245	-
Unearned revenue	22,228	-	22,228	-
Total current liabilities	<u>39,294</u>	<u>3,412</u>	<u>42,706</u>	<u>650</u>
Noncurrent liabilities:				
Net pension liability	232,417	175,287	407,704	-
Net OPEB liability	15,116	6,655	21,771	-
Total noncurrent liabilities	<u>247,533</u>	<u>181,942</u>	<u>429,475</u>	<u>-</u>
Total liabilities	<u>286,827</u>	<u>185,354</u>	<u>472,181</u>	<u>650</u>
Deferred Inflows of Resources				
Pension related deferred inflows	4,654	3,211	7,865	-
Net Position				
Net investment in capital assets	35,433	-	35,433	-
Unrestricted	(4,192)	154,710	150,518	279,964
Total net position	<u>\$ 31,241</u>	<u>154,710</u>	<u>185,951</u>	<u>279,964</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Early Childhood	Total	Internal Service Funds
Operating revenues:				
Local sources:				
Charges for service	\$ 415,961	258,452	674,413	-
Miscellaneous	2,458	-	2,458	221,601
Total operating revenues	418,419	258,452	676,871	221,601
Operating expenses:				
Support services:				
Administration:				
Salaries	11,000	17,000	28,000	-
Benefits	5,652	6,848	12,500	-
Services	150	156	306	-
	16,802	24,004	40,806	-
Non-instructional programs:				
Food service operations:				
Salaries	278,896	-	278,896	-
Benefits	51,794	-	51,794	-
Services	5,322	-	5,322	-
Supplies	400,194	-	400,194	-
Depreciation	4,800	-	4,800	-
	741,006	-	741,006	-
Other enterprise operations:				
Benefits	-	-	-	27,783
Services	-	8,782	8,782	10,133
Other	-	-	-	137,340
	-	8,782	8,782	175,256
Community service operations:				
Salaries	-	182,558	182,558	-
Benefits	-	24,784	24,784	-
Supplies	-	7,769	7,769	-
	-	215,111	215,111	-
Total non-instructional programs	741,006	223,893	964,899	175,256
Total operating expenses	757,808	247,897	1,005,705	175,256
Operating income(loss)	(339,389)	10,555	(328,834)	46,345
Non-operating revenues:				
State sources	6,290	-	6,290	-
Federal sources	349,559	-	349,559	-
Interest income	3,435	-	3,435	3,604
Total non-operating revenues	359,284	-	359,284	3,604
Change in net position	19,895	10,555	30,450	49,949
Net position beginning of year	11,346	144,155	155,501	230,015
Net position end of year	\$ 31,241	154,710	185,951	279,964

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Funds
	School Nutrition	Early Childhood	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 416,004	-	416,004	-
Cash received from community service operations	-	250,323	250,323	-
Cash received from miscellaneous	2,458	-	2,458	221,601
Cash payments to employees for services	(353,249)	(239,244)	(592,493)	(165,123)
Cash payments to suppliers for goods or services	(345,610)	(18,049)	(363,659)	(10,238)
Net cash provided by(used in) operating activities	(280,397)	(6,970)	(287,367)	46,240
Cash flows from non-capital financing activities:				
State grants received	6,290	-	6,290	-
Federal grants received	286,809	-	286,809	-
Net cash provided by non-capital financing activities	293,099	-	293,099	-
Cash flows from capital and related financing activities:				
Purchase of capital assets	(12,111)	-	(12,111)	-
Cash flows from investing activities:				
Interest on investments	3,435	-	3,435	3,604
Net increase(decrease) in cash and pooled investments	4,026	(6,970)	(2,944)	49,844
Cash and pooled investments beginning of year	191,700	299,682	491,382	230,770
Cash and pooled investments end of year	\$ 195,726	292,712	488,438	280,614
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (339,389)	10,555	(328,834)	46,345
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	62,750	-	62,750	-
Depreciation	4,800	-	4,800	-
Increase in inventories	(2,554)	-	(2,554)	-
Increase in accounts receivable	(44)	(8,129)	(8,173)	-
Decrease in accounts payable	(140)	(1,342)	(1,482)	(105)
Decrease in salary and benefits payable	(1,979)	(2,381)	(4,360)	-
Increase in net pension liability	45,117	31,018	76,135	-
Increase in deferred outflows of resources	(30,814)	(18,665)	(49,479)	-
Decrease in deferred inflows of resources	(11,721)	(9,710)	(21,431)	-
Increase in unearned revenue	87	-	87	-
Decrease in other postemployment benefits	(6,510)	(8,316)	(14,826)	-
Net cash provided by(used in) operating activities	\$ (280,397)	(6,970)	(287,367)	46,240

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received \$62,750 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 2,250
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 2,250</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Donations	<u>\$ 1,500</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 1,500</u>
Change in net position	-
Net position beginning of year	<u> 2,250</u>
Net position end of year	<u><u> 2,250</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) Summary of Significant Accounting Policies

Sergeant Bluff-Luton 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 Cities of Sergeant Bluff and Luton, Iowa, and the predominate agricultural territory in Woodbury 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sergeant Bluff-Luton 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 Sergeant Bluff-Luton Community School District has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury 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, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts as well as the District's Internal Service 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District also reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Enterprise, Early Childhood Fund and the Internal Service Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Early Childhood Programs Fund is used to account for the preschool and day care services provided by the District. The Internal Service Funds are used to account for the District's partially self-funded health insurance plan and flexible benefit plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 - assigned and then unassigned fund balances.

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

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

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

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

Cash, 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 cost.

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

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

Property tax revenue 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 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 in both the government-wide and fund financial statements will not be recognized as revenue until the year for which it is levied.

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

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	10 years
Machinery and equipment	5-12 years

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

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

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS'

fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collectible 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 other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in preceding classification.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

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

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

At June 30, 2017, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,985 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard and Poor's Financial Services.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 972,423	-	-	972,423
Total capital assets not being depreciated	<u>972,423</u>	<u>-</u>	<u>-</u>	<u>972,423</u>
Capital assets being depreciated:				
Buildings	27,350,138	-	-	27,350,138
Land improvements	2,018,053	546,312	51,915	2,512,450
Machinery and equipment	2,472,302	59,919	39,248	2,492,973
Intangible assets	31,031	-	-	31,031
Total capital assets being depreciated	<u>31,871,524</u>	<u>606,231</u>	<u>91,163</u>	<u>32,386,592</u>
Less accumulated depreciation for:				
Buildings	12,229,462	529,610	-	12,759,072
Land improvements	1,315,904	99,722	28,554	1,387,072
Machinery and equipment	1,508,782	184,716	20,277	1,673,221
Intangible assets	12,412	3,103	-	15,515
Total accumulated depreciation	<u>15,066,560</u>	<u>817,151</u>	<u>48,831</u>	<u>15,834,880</u>
Total capital assets being depreciated, net	<u>16,804,964</u>	<u>(210,920)</u>	<u>42,332</u>	<u>16,551,712</u>
Governmental activities capital assets, net	<u>\$ 17,777,387</u>	<u>(210,920)</u>	<u>42,332</u>	<u>17,524,135</u>
Business type activities:				
Machinery and equipment	\$ 449,756	12,111	9,380	452,487
Less accumulated depreciation	421,634	4,800	9,380	417,054
Business type activities capital assets, net	<u>\$ 28,122</u>	<u>7,311</u>	<u>-</u>	<u>35,433</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 41,946
Other	11,824
Support services:	
Administration	3,781
Operation and maintenance of plant	13,953
Transportation	<u>113,212</u>
	184,716
Unallocated depreciation	<u>632,435</u>
Total depreciation expense - governmental activities	<u>\$ 817,151</u>
Business type activities:	
Food service operations	<u>\$ 4,800</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 580,000	-	580,000	-	-
Revenue bonds	1,599,000	-	500,000	1,099,000	506,000
Net pension liability-early retirement	17,866	19,903	-	37,769	-
Net pension liability-IPERS	7,448,017	1,803,755	-	9,251,772	-
Net OPEB liability	3,290,421	488,555	106,581	3,672,395	-
Total	<u>\$ 12,935,304</u>	<u>2,312,213</u>	<u>1,186,581</u>	<u>14,060,936</u>	<u>506,000</u>
Business type activities:					
Net pension liability-IPERS	\$ 331,569	76,135	-	407,704	-
Net OPEB Liability	36,597	-	14,826	21,771	-
Total	<u>\$ 368,166</u>	<u>76,135</u>	<u>14,826</u>	<u>429,475</u>	<u>-</u>

Revenue Bonds Payable

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

Year Ending June 30,	Refunding Bond Issue dated June 25, 2015			
	Rate	Principal	Interest	Total
2018	1.75	506,000	14,805	520,805
2019	1.75	300,000	7,752	307,752
2020	1.75	293,000	2,564	295,564
Total		<u>\$ 1,099,000</u>	<u>25,121</u>	<u>1,124,121</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,099,000 of bonds issued in June 2015. The bonds were issued for the purpose of refunding prior year issuances. 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 2020. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$1,124,121. For the current year \$500,000 in principal and \$23,583 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,342,409.

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

- a) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(5) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>91,583</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for sinking requirements on the District's revenue bonded indebtedness.

(6) Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal"

actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2017 were \$1,045,269.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$9,659,476 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.153488%, which was a decrease of 0.003978% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,148,510. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,371	\$ 115,283
Changes of assumptions	147,374	-
Net difference between projected and actual earnings on IPERS' investments	1,376,170	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	71,409	78,535
District contributions subsequent to the measurement date	1,045,269	-
Total	<u>\$ 2,725,593</u>	<u>\$ 193,818</u>

\$1,045,269 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 188,991
2019	188,991
2020	729,993
2021	392,574
2022	<u>(14,043)</u>
Total	<u>\$ 1,486,506</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to

be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 15,627,722	9,659,476	4,622,194

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$132,998 for legally required District contributions and \$88,616 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 254 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District also offers to all certified staff members who have attained age 55 and have ten or more years of service health insurance premiums paid at a fixed dollar amount from the time of retirement until the employee becomes eligible for Medicaid. Which results in an explicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 640,205
Interest on net OPEB obligation	83,175
Adjustment to annual required contribution	(234,825)
Annual OPEB cost	<u>488,555</u>
Contributions made	(121,407)
Increase in net OPEB obligation	<u>367,148</u>
Net OPEB obligation beginning of year	<u>3,327,018</u>
Net OPEB obligation end of year	<u>\$ 3,694,166</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	612,746	27.30%	2,871,837
2016	578,508	21.32	3,327,018
2017	488,555	24.85	3,694,166

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$4,697,034 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,697,034. The covered payroll (annual payroll of active employees covered by the plan) was \$9,859,366 and the ratio of the UAAL to covered payroll was 47.6%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%. Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study.

Current claim costs of the medical plan are as follows: HDHP single for \$618.43 per month; HDHP family for \$1,546.08 per month; Blue Choice single for \$714.93 per month; Blue choice family for \$1,787.33 per month; Alliance Select single for \$758.18 per month; and Alliance Select family for \$1,896.44 per month. Post age 65 claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a

level percentage of projected payroll expense on an open basis over 30 years.

(8) Supplemental Pension Plan

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 55, have completed fifteen years of service to the District, submits an application to the Superintendent, receives Board approval and retires by June 30 of the same year.

As of June 30, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2016, there were 179 active members in the plan. The plan benefit consists of \$85 per day of accumulated unused sick leave up to a maximum of 116 days for certified staff and \$50 per day of accumulated unused sick leave up to a maximum of 116 days for classified staff.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 49,917
Interest on net pension obligation	447
Adjustment to annual required contribution	<u>(1,118)</u>
Annual pension cost	49,246
Contributions made	<u>(29,343)</u>
Increase in net pension obligation	19,903
Net pension obligation beginning of year	<u>17,866</u>
Net pension obligation end of year	<u><u>\$ 37,769</u></u>

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

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

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 43,257	1.06%	\$ (2,387)
2016	49,549	59.13	17,866
2017	49,246	59.58	37,769

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$378,656, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$378,656. The covered payroll (annual payroll of active employees covered by the plan) was \$1,772,022, and the ratio of the UAAL to the covered payroll was 22.0%. As of June 30, 2017, there were no trust fund assets.

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

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

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

As of the July 1, 2015 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group are similar to or identical to those used to determine the net OPEB obligation. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District’s actual amount for this purpose totaled \$632,451 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Position

At June 30, 2017, the District a had deficit unrestricted net position of \$7,078,463 in the governmental activities.

(12) Categorical Funding

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

Program	Amount
Four-year-old preschool state aid	\$ 301,140
Teacher salary supplement	6,931
School ready children	8,131
Teacher Leadership Grants	74,317
Successful progression for early readers	42,328
Professional development for model core curriculum	31,226
Professional development	86,018
Total	<u>\$ 550,091</u>

(13) Operating Leases

During fiscal year 2015, the District entered into an operating lease agreement with Chrysler Capital for a 2015 Chrysler Town and County. Terms of the agreement include monthly payments of \$377 for the remainder of the agreement which ends April 2018.

During fiscal year 2016, the District entered into an operating lease agreement with Santander Bank for a 2016 school bus. The lease agreement runs through October 2019 and remaining annual payments total \$46,841.

(14) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	55,683	3,169,536
Capital assets, net of accumulated depreciation	17,524,135	-	-
Revenue bond capitalized indebtedness	(1,099,000)	-	-
Accrued interest payable	-	(9,616)	-
Internal service fund	-	-	279,964
Pension related deferred outflows of resources	-	-	2,619,926
Net pension liability - early retirement	-	-	(37,769)
Net pension liability - IPERS	-	-	(9,251,772)
Net OPEB liability	-	-	(3,672,395)
Pension related deferred inflows of resources	-	-	(185,953)
Net position (Exhibit A)	<u>\$ 16,425,135</u>	<u>46,067</u>	<u>(7,078,463)</u>

(15) New Accounting Pronouncement

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

(16) Tax Abatements

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

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
Sioux City	Urban renewal and economic development projects	\$ 613,361
Woodbury County	Urban renewal and economic development projects	Unavailable

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, this reimbursement amounted to \$60,291.

(17) Prospective Accounting Change

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

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 10,981,597	680,306	11,661,903	12,976,902	12,976,902	(1,314,999)
Intermediate sources	-	-	-	19,175	19,175	(19,175)
State sources	10,065,695	6,290	10,071,985	9,979,769	9,979,769	92,216
Federal sources	492,193	349,559	841,752	1,119,885	1,119,885	(278,133)
Total revenues	21,539,485	1,036,155	22,575,640	24,095,731	24,095,731	(1,520,091)
Expenditures/Expenses:						
Instruction	12,862,442	-	12,862,442	16,886,180	16,886,180	4,023,738
Support services	5,139,896	40,806	5,180,702	8,269,105	8,269,105	3,088,403
Non-instructional programs	3,384	964,899	968,283	1,699,850	1,699,850	731,567
Other expenditures	2,396,605	-	2,396,605	2,748,079	3,689,701	1,293,096
Total expenditures/expenses	20,402,327	1,005,705	21,408,032	29,603,214	30,544,836	9,136,804
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,137,158	30,450	1,167,608	(5,507,483)	(6,449,105)	7,616,713
Balances beginning of year	5,396,008	155,501	5,551,509	7,861,961	7,861,961	(2,310,452)
Balances end of year	\$ 6,533,166	185,951	6,719,117	2,354,478	1,412,856	5,306,261

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$941,622.

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

	2017	2016	2015
District's proportion of the net pension liability	0.153488%	0.157466%	0.135212%
District's proportionate share of the net pension liability	\$ 9,659,476	7,779,586	5,362,370
District's covered-employee payroll	\$ 11,014,851	10,787,853	10,299,261
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	52.07%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 1,045,269	983,627	963,355	919,724	851,223	767,943	644,943	614,965	550,905	494,490
Contributions in relation to the statutorily required contribution	\$ (1,045,269)	(983,627)	(963,355)	(919,724)	(851,223)	(767,943)	(644,943)	(614,965)	(550,905)	(494,490)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,859,366	11,014,851	10,787,853	10,299,261	9,818,028	9,516,022	9,279,755	9,247,594	8,675,669	8,173,388
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 3,840,000	3,840,000	0.0%	\$ 9,011,000	42.6%
2010	July 1, 2008	-	3,840,000	3,840,000	0.0	7,900,000	48.6
2011	July 1, 2010	-	5,276,000	5,276,000	0.0	7,800,000	67.6
2012	July 1, 2010	-	5,279,000	5,279,000	0.0	8,100,000	65.2
2013	July 1, 2012	-	5,239,618	5,239,618	0.0	8,291,980	63.2
2014	July 1, 2012	-	5,103,465	5,103,465	0.0	8,690,185	58.7
2015	July 1, 2015	-	5,268,330	5,268,330	0.0	9,065,206	58.1
2016	July 1, 2015	-	5,131,331	5,131,331	0.0	9,275,848	55.3
2017	July 1, 2015	-	4,697,034	4,697,034	0.0	9,859,366	47.6

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	July 1, 2015	-	343,497	343,497	0.0%	1,372,446	25.03%
2016	July 1, 2015	-	379,136	379,136	0.0	1,812,725	20.92
2017	July 1, 2015	-	378,656	378,656	0.0	1,722,022	22.0

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost and net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 822,874	279,810	1,102,684	53,961	1,156,645
Receivables:					
Property tax:					
Delinquent	1,681	-	1,681	1,722	3,403
Succeeding year	713,172	-	713,172	-	713,172
Total assets	\$ 1,537,727	279,810	1,817,537	55,683	1,873,220
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	15,508	15,508	-	15,508
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property taxes	713,172	-	713,172	-	713,172
Fund balances:					
Restricted for:					
Debt service	-	-	-	55,683	55,683
Management levy purposes	824,555	-	824,555	-	824,555
Student activities	-	264,302	264,302	-	264,302
Total fund balances	824,555	264,302	1,088,857	55,683	1,144,540
Total liabilities, deferred inflows of resources and fund balances	\$ 1,537,727	279,810	1,817,537	55,683	1,873,220

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 501,713	-	501,713	587,793	1,089,506
Other	28,655	461,402	490,057	1	490,058
State sources	20,759	-	20,759	29,082	49,841
Total revenues	551,127	461,402	1,012,529	616,876	1,629,405
Expenditures:					
Current:					
Instruction:					
Regular	189,151	-	189,151	-	189,151
Other	-	441,032	441,032	-	441,032
Support services:					
Student	16,963	-	16,963	-	16,963
Instructional staff	2,748	-	2,748	-	2,748
Administration	28,584	-	28,584	-	28,584
Operation and maintenance of plant	191,970	-	191,970	-	191,970
Transportation	16,256	-	16,256	-	16,256
Non-instructional programs:					
Food service operations	2,079	-	2,079	-	2,079
Community service operations	1,305	-	1,305	-	1,305
Long-term debt:					
Principal	-	-	-	1,080,000	1,080,000
Interest and fiscal charges	-	-	-	37,611	37,611
Total expenditures	449,056	441,032	890,088	1,117,611	2,007,699
Excess(Deficiency) of revenues over(under) expenditures	102,071	20,370	122,441	(500,735)	(378,294)
Other financing source:					
Transfer in	-	-	-	91,583	91,583
Change in fund balances	102,071	20,370	122,441	(409,152)	(286,711)
Fund balances beginning of year	722,484	243,932	966,416	464,835	1,431,251
Fund balances end of year	\$ 824,555	264,302	1,088,857	55,683	1,144,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,281,618	277,066	1,558,684
Receivables:			
Property tax:			
Delinquent	-	650	650
Succeeding year	-	228,770	228,770
Due from other governments	111,718	-	111,718
Total assets	\$ 1,393,336	506,486	1,899,822
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 30,345	1,708	32,053
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	228,770	228,770
Fund balances:			
Restricted for:			
School infrastructure	1,362,991	-	1,362,991
Physical plant and equipment	-	276,008	276,008
Total fund balances	1,362,991	276,008	1,638,999
Total liabilities, deferred inflows of resources and fund balances	\$ 1,393,336	506,486	1,899,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Project		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	221,825	221,825
Other	12,152	9,154	21,306
State sources	1,342,409	10,975	1,353,384
Total revenues	<u>1,354,561</u>	<u>241,954</u>	<u>1,596,515</u>
Expenditures:			
Current:			
Instruction:			
Regular	85,585	-	85,585
Other	665	-	665
Support services:			
Student	29,154	-	29,154
Instructional staff	42,648	1,725	44,373
Administration	34,852	36,944	71,796
Operation and maintenance of plant	127,056	22,958	150,014
Transportation	-	16,000	16,000
Capital outlay	624,792	21,751	646,543
Total expenditures	<u>944,752</u>	<u>99,378</u>	<u>1,044,130</u>
Excess of revenues over expenditures	409,809	142,576	552,385
Other financing sources uses:			
Transfer out	(91,583)	-	(91,583)
Change in fund balances	318,226	142,576	460,802
Fund balances beginning of year	<u>1,044,765</u>	<u>133,432</u>	<u>1,178,197</u>
Fund balances end of year	<u>\$ 1,362,991</u>	<u>276,008</u>	<u>1,638,999</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest	\$ -	4,396	4,396	-
Food 4 Thought	8,590	9,884	7,308	11,166
Quiz Bowl	-	570	54	516
Elementary Band	239	-	94	145
Elementary Vocal Music	688	-	-	688
Middle School Band	99	-	-	99
Middle School Athletics/Juice	3,297	4,568	3,060	4,805
Middle School Football	2,232	1,874	2,076	2,030
Middle School Boy's Track	104	-	-	104
Middle School Wrestling	870	-	-	870
Middle School Girl's Basketball	208	352	374	186
Middle School Volleyball	305	-	-	305
Middle School Girl's Track	871	602	570	903
Middle School Music Magazine Sales	6,089	2,364	1,675	6,778
Middle School Cheerleaders	-	185	-	185
Middle School Yearbook	2,685	3,860	3,951	2,594
Middle School Student Council	3,290	6,348	2,527	7,111
High School Theater/Plays	6,801	2,895	868	8,828
High School Speech	-	206	206	-
High School Music Trip	7,447	9,094	11,951	4,590
High School Band	4,925	1,141	2,685	3,381
High School Athletics	5,082	116,028	121,010	100
High School Warrior Zone	14,019	29,122	27,448	15,693
High School Cross Country	2,843	5,961	5,222	3,582
High School Archery	3,228	14,408	11,904	5,732
High School Bowling	-	376	376	-
High School Boy's Basketball	8,057	11,983	8,405	11,635
High School Football	12,823	31,637	36,733	7,727
High School Boy's Soccer	729	1,149	971	907
High School Baseball	22,531	9,320	16,710	15,141
High School Boy's Track	2,682	4,362	4,782	2,262
High School Boy's Golf	471	-	-	471
High School Wrestling	151	10,236	3,205	7,182
High School Girl's Basketball	6,626	3,583	2,078	8,131
High School Volleyball	8,918	3,682	7,635	4,965
High School Girl's Soccer	2,248	10,994	10,571	2,671
High School Softball	88	-	-	88
High School Girl's Track	2,024	956	2,268	712
High School Spirit Spot	5,746	11,886	9,358	8,274
High School National Honor Society	1,022	843	1,196	669
High School Renaissance (PBIS)	4,261	8,565	6,162	6,664
High School Environmental Club	896	400	456	840
Class of 2020	-	728	315	413
Class of 2021	-	63	-	63
Vocal Select Music	3,357	11,183	10,553	3,987
High School Music Apparel	6,705	10,590	13,734	3,561
High School Music Boosters	18,948	20,414	12,000	27,362
High School Solo/Ensemble Music	1,483	4,147	2,764	2,866
Class of 2015	5	-	5	-
Class of 2016	3,467	10	3,477	-
Class of 2017	7,201	380	4,695	2,886
Class of 2018	726	32,437	24,323	8,840
Class of 2019	322	622	277	667
High School Cheerleaders	3,927	5,276	6,871	2,332
High School Dance Team	19,712	21,213	18,815	22,110
High School Yearbook	3,803	16,677	11,811	8,669
High School Senior Composite Fees	10	310	320	-
High School Weight Training	12,063	4,550	3,642	12,971
High School Student Council	3,247	7,737	5,398	5,586
High School Special Projects	5,771	1,235	3,747	3,259
Total	\$ 243,932	461,402	441,032	264,302

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	<u>Governmental Activities:</u>		
	<u>Internal Service Funds</u>		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Assets			
Cash and pooled investments	\$ 265,991	14,623	280,614
Liabilities			
Accounts payable	650	-	650
Net Position			
Unrestricted	\$ 265,341	14,623	279,964

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2017

	Governmental Activities: Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Operating revenues:			
Local sources:			
Miscellaneous	\$ 87,266	134,335	221,601
Operating expenses:			
Other enterprise operations:			
Benefits	27,783	-	27,783
Services	10,133	-	10,133
Other	-	137,340	137,340
Total operating expenses	37,916	137,340	175,256
Operating income(loss)	49,350	(3,005)	46,345
Non-operating revenues:			
Interest income	3,604	-	3,604
Change in net position	52,954	(3,005)	49,949
Net position beginning of year	212,387	17,628	230,015
Net position end of year	\$ 265,341	14,623	279,964

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2017

	Governmental Activities:		
	Internal Service Funds		
	Partially Self-funded Health Insurance	Flex Benefit	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 87,266	134,335	221,601
Cash payments to employees for services	(27,783)	(137,340)	(165,123)
Cash payments to suppliers for goods or services	(10,238)	-	(10,238)
Net cash provided by(used in) operating activities	<u>49,245</u>	<u>(3,005)</u>	<u>46,240</u>
Cash flows from investing activities:			
Interest on investments	<u>3,604</u>	-	<u>3,604</u>
Net increase(decrease) in cash and pooled investments	52,849	(3,005)	49,844
Cash and pooled investments beginning of year	<u>213,142</u>	<u>17,628</u>	<u>230,770</u>
Cash and pooled investments end of year	<u>\$ 265,991</u>	<u>14,623</u>	<u>280,614</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income(loss)	\$ 49,350	(3,005)	46,345
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts payable	(105)	-	(105)
Net cash provided by operating activities	<u>\$ 49,245</u>	<u>(3,005)</u>	<u>46,240</u>

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 8,091,499	6,942,792	6,510,961	6,161,386	8,817,029	8,633,259	8,440,826	8,318,600	8,011,791	7,019,867
Tuition	2,093,447	2,222,888	1,818,513	1,872,076	1,915,558	1,821,393	1,461,934	1,365,379	1,139,145	1,157,107
Other	796,651	803,826	847,122	744,671	725,751	739,524	685,667	538,529	533,552	638,519
State sources	10,065,695	9,572,111	8,976,292	8,582,440	6,526,416	6,558,135	6,150,431	5,143,300	6,123,887	6,185,181
Federal sources	492,193	466,187	437,913	457,629	449,504	508,414	898,966	1,210,887	589,517	296,929
Total	\$ 21,539,485	20,007,804	18,590,801	17,818,202	18,434,258	18,260,725	17,637,824	16,576,695	16,397,892	15,297,603
Expenditures:										
Instruction:										
Regular	\$ 7,948,675	8,469,368	8,031,768	7,669,944	7,287,066	6,955,195	6,923,583	6,511,687	6,514,869	6,244,336
Special	2,586,336	2,352,152	2,266,836	2,241,051	2,110,306	2,038,162	1,932,308	1,997,077	2,007,652	1,729,998
Other	2,327,431	2,452,701	2,094,621	1,864,546	1,868,357	1,806,632	1,589,414	1,579,469	1,323,893	1,269,199
Support services:										
Student	333,011	325,932	294,795	275,816	316,265	259,062	257,633	264,747	269,104	297,877
Instructional staff	1,091,271	639,472	645,923	813,912	585,158	629,387	1,495,324	645,332	504,591	510,197
Administration	1,483,791	1,434,412	1,389,067	1,344,442	1,289,174	1,225,299	1,239,442	1,217,581	1,259,866	1,260,230
Operation and maintenance of plant	1,793,453	1,594,554	1,644,440	1,595,580	1,493,488	1,482,090	1,355,390	1,414,194	1,356,104	1,260,374
Transportation	438,370	510,316	537,176	554,161	471,962	526,895	354,919	367,163	297,655	548,002
Non-instructional programs	3,384	3,650	3,947	4,597	3,839	4,527	4,666	3,550	3,247	1,456
Capital outlay	646,543	259,924	243,523	397,756	686,107	690,492	2,485,179	644,245	1,560,060	788,895
Long-term debt:										
Principal	1,080,000	2,505,000	1,235,000	1,205,000	1,195,000	960,000	826,255	5,823,661	741,501	749,217
Interest and fiscal charges	37,611	75,085	138,663	132,756	155,412	172,563	175,771	256,919	235,961	230,645
Other expenditures:										
AEA flow-through	632,451	606,999	584,291	555,388	531,045	531,633	572,872	561,727	510,399	485,234
Total	\$ 20,402,327	21,229,565	19,110,050	18,654,949	17,993,179	17,281,937	19,212,756	21,287,352	16,584,902	15,375,660

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of Sergeant Bluff-Luton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we 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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-17 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sergeant Bluff-Luton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Sergeant Bluff-Luton Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2018
Newton, Iowa

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-17 Segregation of Duties

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

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

- 1) Cash - disbursement transactions, recording cash, reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - recording, depositing, posting and reconciling.
- 4) Disbursements - check preparation, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Payroll - record keeping, preparation, posting and distributing.
- 7) Financial reporting - preparing, reconciling and approval
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) Journal entries - writing, posting and approving.

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

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

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

Response - The District will continue to review internal control procedures and implement changes as allowable with our current staff.

Conclusion - Response accepted.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part II: Other Findings Related to Required Statutory Reporting:

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

II-D-17 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Schaar, Board Member Sales Representative, RTI	Network Services, per bid	\$ 48,616
Tammy Matthey, Board Member Mother owns Bluff's Little Thinkers	Preschool provider partner	\$ 10,429

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Board Member Schaar do not appear to represent a conflict of interest as the District received bids for services performed and each board member abstained from their respective vote.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with Board Member Matthey's mother do not appear to represent a conflict of interest since the Board Member does not receive a benefit from the contracted services.

- II-E-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-17 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-17 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-17 Deposits and Investments - 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 were noted.

- II-J-17 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education and we noted no significant deficiencies in the amounts reported.
- II-K-17 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 1,044,765
Revenues:		
Sales tax revenues	\$ 1,342,409	
Other local revenues	12,152	1,354,561
Total revenues		<u>2,399,326</u>
Expenditures:		
School infrastructure construction	604,915	
Equipment	176,594	
Other	163,243	
Transfers to other funds:		
Debt service fund	<u>91,583</u>	<u>1,036,335</u>
Ending balance		<u>\$ 1,362,991</u>

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

- II-M-17 Financial Condition - At June 30, 2017, the District had deficit unrestricted net position of \$7,078,463 in the governmental activities. A significant contributing factor for this deficit net position is the IPERS net pension liability recorded in accordance with GASB Statements No. 68 and No. 71; however, the unrestricted net position would still be negative without the IPERS net pension liability and pension related deferred outflows of resources and pension related deferred inflows of resources.

Recommendation - The District should investigate alternatives to eliminate the deficit net position and take steps to ensure the District's administration and Board of Education understand how GASB Statements No. 68 and 71 will affect the District's financial statements moving forward.

Response - We will continue to investigate alternatives to eliminate the deficit net position.

Conclusion - Response accepted.