

BCLUW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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**BCLUW Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Beth Neff	President	2019
LJ Kopsa	Vice President	2017
Shannon Callaway	Board Member	2019
Brian Feldpausch	Board Member	2019
Eric Engle	Board Member	2017
Lynne Kock	Board Member	2017
Adam Probasco	Board Member	2019

**School Officials**

Ben Petty	Superintendent	2017
Paula Benson	Board Secretary/ Business Manager	2017
Craig, Smith & Cutler, LLP	Attorney	2017

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of BCLUW 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 BCLUW Community School District, Conrad, 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 BCLUW Community School District as of June 30, 2017, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW 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 June 30, 2016, (which is not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2018 on our consideration of BCLUW Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 BCLUW Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2018  
Newton, Iowa

BCLUW Community School District

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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BCLUW 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 \$6,781,059 in fiscal year 2016 to \$6,911,534 in fiscal year 2017, while General Fund expenditures increased from \$6,492,580 in fiscal year 2016 to \$6,670,840 in fiscal year 2017. The District's General Fund balance increased from \$1,737,482 at June 30, 2016 to \$1,978,176 at June 30, 2017, a 13.85% increase from the prior year.
- The increase in General Fund revenues was largely attributable to an increase in revenues received from state sources during fiscal year 2017. The increase in expenditures was due primarily to increased spending in the other instruction functional area.

### **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 BCLUW 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 BCLUW Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which BCLUW Community School District acts solely as an agent or custodial for the benefit of those outside of the 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.

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.

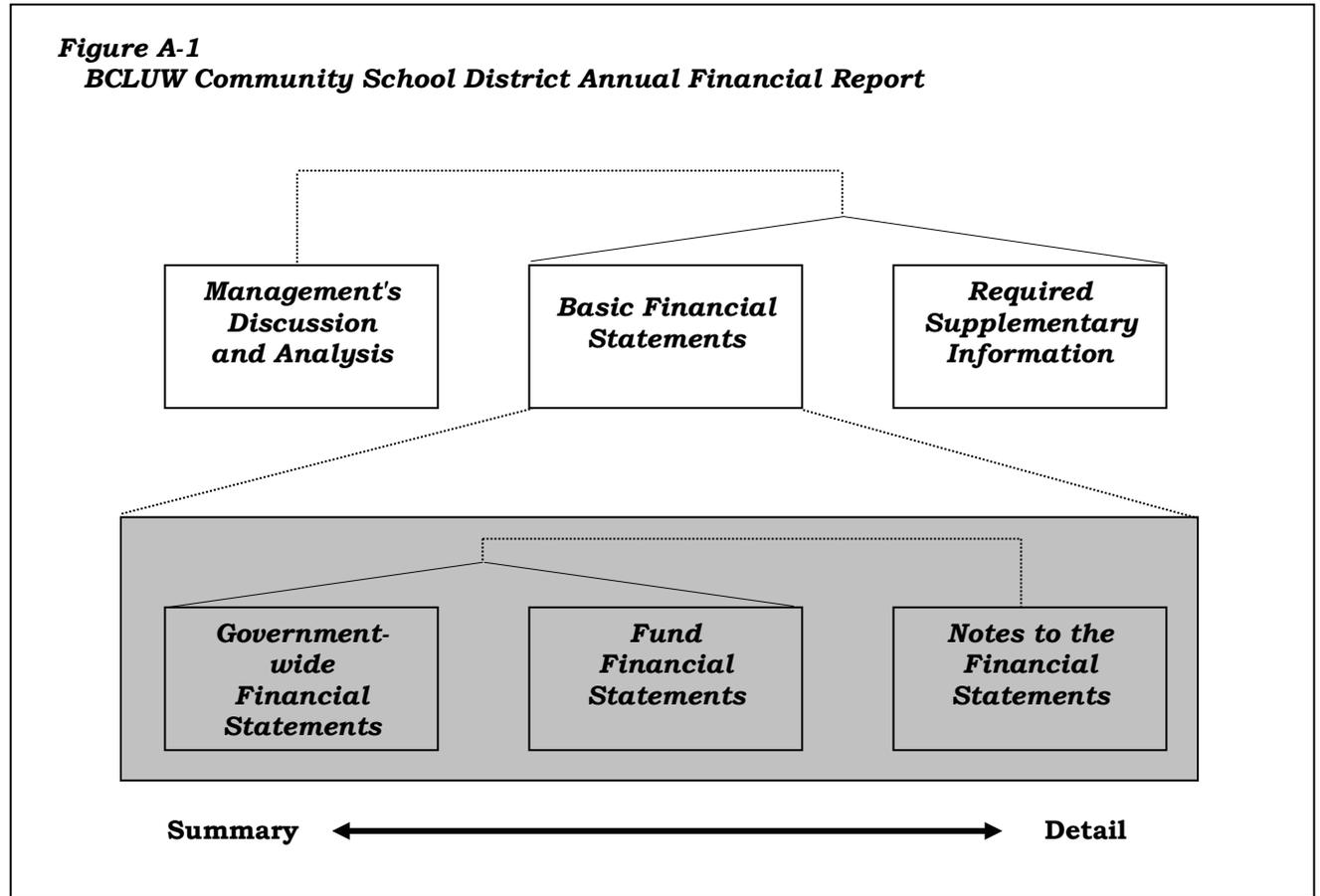


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2017-16
Current and other assets	\$ 8,174,878	7,530,160	90,436	86,384	8,265,314	7,616,544	8.52%
Capital assets	5,533,969	5,900,778	53,588	55,571	5,587,557	5,956,349	-6.19%
Total assets	<u>13,708,847</u>	<u>13,430,938</u>	<u>144,024</u>	<u>141,955</u>	<u>13,852,871</u>	<u>13,572,893</u>	<u>2.06%</u>
Deferred outflows of resources	908,222	461,919	23,331	11,773	931,553	473,692	96.66%
Long-term liabilities	5,046,587	4,799,296	83,950	69,088	5,130,537	4,868,384	5.38%
Other liabilities	732,576	711,311	6,690	6,183	739,266	717,494	3.03%
Total liabilities	<u>5,779,163</u>	<u>5,510,607</u>	<u>90,640</u>	<u>75,271</u>	<u>5,869,803</u>	<u>5,585,878</u>	<u>5.08%</u>
Deferred inflows of resources	3,375,639	3,418,223	4,138	7,048	3,379,777	3,425,271	-1.33%
Net position:							
Net investment in capital assets	4,317,969	4,188,778	53,588	55,571	4,371,557	4,244,349	3.00%
Restricted	2,186,526	1,843,210	-	-	2,186,526	1,843,210	18.63%
Unrestricted	(1,042,228)	(1,067,961)	18,989	15,838	(1,023,239)	(1,052,123)	2.75%
Total net position	<u>\$ 5,462,267</u>	<u>4,964,027</u>	<u>72,577</u>	<u>71,409</u>	<u>5,534,844</u>	<u>5,035,436</u>	<u>9.92%</u>

The District's total net position increased 9.92%, or \$499,408, from the prior year. The largest portion of the District's net position is invested in capital assets, (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with 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 \$343,316, or 18.63% from the prior year. The increase in restricted net position is largely a result of the increase in the Management Levy Fund balance compared to the prior year.

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 \$28,884, or 2.75%. The primary reason for this increase in unrestricted net position was the improvement in the unassigned General Fund balance.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2017	2016	2017	2016	2017	2016	2017-16	
Revenues:							
Program revenues:							
Charges for service	\$ 1,033,557	965,876	168,842	168,819	1,202,399	1,134,695	5.97%
Operating grants, contributions and restricted interest	564,556	615,479	148,561	167,270	713,117	782,749	-8.90%
Capital grants, contributions and restricted interest	14,150	31,188	-	-	14,150	31,188	-54.63%
General revenues:							
Property tax	3,139,279	3,124,135	-	-	3,139,279	3,124,135	0.48%
Income surtax	305,364	226,351	-	-	305,364	226,351	34.91%
Statewide sales, services and use tax	547,483	553,918	-	-	547,483	553,918	-1.16%
Unrestricted state grants	3,123,014	2,945,570	-	-	3,123,014	2,945,570	6.02%
Unrestricted interest earnings	20,971	15,779	139	110	21,110	15,889	32.86%
Other	31,070	48,131	874	207	31,944	48,338	-33.92%
Total revenues	<u>8,779,444</u>	<u>8,526,427</u>	<u>318,416</u>	<u>336,406</u>	<u>9,097,860</u>	<u>8,862,833</u>	<u>2.65%</u>
Program expenses:							
Instruction	5,220,947	4,645,506	-	-	5,220,947	4,645,506	12.39%
Support services	2,512,043	2,650,451	3,551	5,922	2,515,594	2,656,373	-5.30%
Non-instructional programs	8,930	11,425	316,122	322,220	325,052	333,645	-2.58%
Other expenses	536,859	547,630	-	-	536,859	547,630	-1.97%
Total expenses	<u>8,278,779</u>	<u>7,855,012</u>	<u>319,673</u>	<u>328,142</u>	<u>8,598,452</u>	<u>8,183,154</u>	<u>5.08%</u>
Excess (Deficiency) of revenues over(under) expenses	500,665	671,415	(1,257)	8,264	499,408	679,679	-2.42%
Transfers	(2,425)	(30,436)	2,425	30,436	-	-	0.00%
Change in net position	498,240	640,979	1,168	38,700	499,408	679,679	-2.42%
Net position beginning of year	<u>4,964,027</u>	<u>4,323,048</u>	<u>71,409</u>	<u>32,709</u>	<u>5,035,436</u>	<u>4,355,757</u>	<u>15.60%</u>
Net position end of year	<u>\$ 5,462,267</u>	<u>4,964,027</u>	<u>72,577</u>	<u>71,409</u>	<u>5,534,844</u>	<u>5,035,436</u>	<u>9.92%</u>

In fiscal year 2017, property tax, statewide sales and services and use tax and unrestricted state grants accounted for 77.57% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.68% of the revenue from business type activities.

The District's total revenues were approximately \$9.1 million, of which approximately \$8.78 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown in Figure A-4, the District, as a whole, experienced a 2.65% increase in revenues and a 5.08% increase in expenses. The increase in revenues is primarily due to an increase in unrestricted state grant money received. The increase in expenditures is primarily due to an increased spending in the instruction functional area.

**Governmental Activities**

Revenues for governmental activities were \$8,779,444 and expenses were \$8,278,779 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	Change 2017-16	2017	2016	Change 2017-16
Instruction	\$ 5,220,947	4,645,506	12.39%	4,006,304	3,422,472	17.06%
Support services	2,512,043	2,650,451	-5.22%	2,358,237	2,507,905	-5.97%
Non-instructional programs	8,930	11,425	-21.84%	8,930	11,425	-21.84%
Other expenses	536,859	547,630	-1.97%	293,045	300,667	-2.54%
Totals	<u>\$ 8,278,779</u>	<u>7,855,012</u>	<u>-16.64%</u>	<u>6,666,516</u>	<u>6,242,469</u>	<u>6.79%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$1,033,557.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$578,706.
- The net cost of governmental activities was financed with \$3,139,279 in property tax, \$305,364 in income surtax, \$547,483 in statewide sales, services and use tax, \$3,123,014 in unrestricted state grants, \$20,971 in investment income and \$31,070 in other general revenues.

**Business Type Activities**

Revenues of the District’s business type activities for the year ended June 30, 2017, were \$318,416 and expenses totaled \$319,673. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the BCLUW 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 \$3,938,869, compared to last year’s ending fund balances of \$3,429,778. The primary reason for the increase in combined fund balance was an increase in the General Fund balance compared to the prior year.

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## **Governmental Fund Highlights**

- The District's increase in General Fund financial position is the product of many factors. Revenues and expenses both increased compared to the prior year. Total revenues outpaced total expenses leading to an increase in fund balance from \$1,737,482 at June 30, 2016 to \$1,978,176 at June 30, 2017.
- The Management Levy Fund balance increased from \$516,065 at June 30, 2016 to \$682,498 at June 30, 2017. This increase was primarily due to an increase in local tax revenue received during the year.
- The Capital Projects Fund balance increased from \$983,863 at June 30, 2016 to \$1,093,564 at June 30, 2017. The Statewide Sales, Services and Use Tax Fund balance increased from \$748,641 at June 30, 2016 to \$851,903 at June 30, 2017. Total revenues remain relatively unchanged, however an increase in capital outlay expenditures occurred during fiscal year 2017. The Physical Plant and Equipment Levy Fund balance increased from \$235,222 at June 30, 2016 to \$241,661 at June 30, 2017. This increase is primarily due to a decrease in capital outlay costs incurred during the fiscal year 2017.

## **Proprietary Fund Highlights**

The School Nutrition Fund net position increased slightly from \$71,409 at June 30, 2016 to \$72,577 at June 30, 2017, representing an increase of 1.64%. Revenues and expenses for the School Nutrition Fund remain relatively unchanged.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, BCLUW Community School District amended its budget one time to reflect additional expenditures associated with the District's capital project activity.

The District's revenues were \$143,140 more than budgeted revenues, a variance of 1.60%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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 \$5,587,557, 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 6.19% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$425,682.

The original cost of the District's capital assets was \$13,301,257. Governmental activities account for \$13,171,561 of this total with the remainder of \$129,696 accounted for in the Proprietary, School Nutrition Fund. The District's capital assets remained relatively unchanged from the previous year.

Figure A-6 shows the changes in capital assets, net depreciation, for the year ended June 30, 2017 compared to the year ended June 30, 2016.

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	2017-16
Land	\$ 80,000	80,000	-	-	80,000	80,000	0.00%
Buildings	4,774,826	5,019,798	-	-	4,774,826	5,019,798	-4.88%
Land improvements	109,735	120,287	-	-	109,735	120,287	-8.77%
Machinery and equipment	569,408	680,693	53,588	55,571	622,996	736,264	-15.38%
Total	\$ 5,533,969	5,900,778	53,588	55,571	5,587,557	5,956,349	-6.19%

### Long-Term Debt

At June 30, 2017, the District had \$1,409,637 of long-term debt outstanding. This represents a 17.66% decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

- At June 30, 2017, the District had outstanding general obligation bonded indebtedness of \$370,000 from the February 2014 refunding issue.
- The District had \$846,000 of outstanding capital loan notes at June 30, 2017 payable from the Capital Projects, Physical Plant and Equipment Levy Fund.
- The District had \$193,637 of Computer Lease payable at June 30, 2017, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2017	2016	2017-16
General obligation bonds	\$ 370,000	735,000	-49.66%
Capital loan notes	846,000	977,000	-13.41%
Computer lease	193,637	-	100.00%
Total	\$ 1,409,637	1,712,000	-17.66%

### 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:

- District has begun receiving a significant grant for Teacher Leadership
- Declining Enrollment
- Supplemental State Aid was at 2.25%

- 
- SAVE & PPEL tax continues to keep the district's facilities in good shape.
  - Operational sharing incentive dollars are recorded for sharing 3 positions

### **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 Paula Benson, Board Secretary/Business Manager, BCLUW Community School District, 610 E Center St., PO Box 670, Conrad, Iowa, 50621.

## BASIC FINANCIAL STATEMENTS

BCLUW COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,244,715	84,678	4,329,393
Receivables:			
Property tax:			
Delinquent	37,354	-	37,354
Succeeding year	3,212,752	-	3,212,752
Income surtax	285,581	-	285,581
Accounts	14,863	-	14,863
Due from other governments	379,613	-	379,613
Inventories	-	5,758	5,758
Capital assets not being depreciated:			
Land	80,000	-	80,000
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	5,453,969	53,588	5,507,557
<b>Total assets</b>	<b>13,708,847</b>	<b>144,024</b>	<b>13,852,871</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	908,222	23,331	931,553
<b>Liabilities</b>			
Accounts payable	72,988	681	73,669
Salaries and benefits payable	648,181	-	648,181
Advances from grantors	6,391	-	6,391
Accrued interest payable	5,016	-	5,016
Unearned revenue	-	6,009	6,009
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	370,000	-	370,000
Capital loan notes	134,000	-	134,000
Computer lease	64,450	-	64,450
Termination benefits	16,083	-	16,083
Portion due after one year:			
Capital loan notes	712,000	-	712,000
Computer lease	129,187	-	129,187
Termination benefits	11,887	-	11,887
Net pension liability	3,303,903	82,479	3,386,382
Net OPEB liability	305,077	1,471	306,548
<b>Total liabilities</b>	<b>5,779,163</b>	<b>90,640</b>	<b>5,869,803</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	162,887	4,138	167,025
Unavailable property tax revenue	3,212,752	-	3,212,752
<b>Total deferred inflows of resources</b>	<b>3,375,639</b>	<b>4,138</b>	<b>3,379,777</b>
<b>Net Position</b>			
Net investment in capital assets	4,317,969	53,588	4,371,557
Restricted for:			
Categorical funding	258,819	-	258,819
Debt service	48,465	-	48,465
Management levy purposes	654,528	-	654,528
Student activities	115,348	-	115,348
Public education and recreation	15,802	-	15,802
School infrastructure	851,903	-	851,903
Physical plant and equipment	241,661	-	241,661
Unrestricted	(1,042,228)	18,989	(1,023,239)
<b>Total net position</b>	<b>\$ 5,462,267</b>	<b>72,577</b>	<b>5,534,844</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,143,434	459,758	74,954	-	(2,608,722)	-	(2,608,722)
Special	803,746	142,653	96,540	-	(564,553)	-	(564,553)
Other	1,273,767	297,020	143,718	-	(833,029)	-	(833,029)
	<u>5,220,947</u>	<u>899,431</u>	<u>315,212</u>	<u>-</u>	<u>(4,006,304)</u>	<u>-</u>	<u>(4,006,304)</u>
Support services:							
Student	210,469	50,237	-	-	(160,232)	-	(160,232)
Instructional staff	326,681	-	2,036	-	(324,645)	-	(324,645)
Administration	827,666	72,791	-	-	(754,875)	-	(754,875)
Operation and maintenance of plant	641,282	-	3,494	14,150	(623,638)	-	(623,638)
Transportation	505,945	11,098	-	-	(494,847)	-	(494,847)
	<u>2,512,043</u>	<u>134,126</u>	<u>5,530</u>	<u>14,150</u>	<u>(2,358,237)</u>	<u>-</u>	<u>(2,358,237)</u>
Non-instructional programs:							
Food service operations	6,430	-	-	-	(6,430)	-	(6,430)
Community service operations	2,500	-	-	-	(2,500)	-	(2,500)
	<u>8,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,930)</u>	<u>-</u>	<u>(8,930)</u>
Long-term debt interest	37,521	-	-	-	(37,521)	-	(37,521)
Other expenditures:							
AEA flowthrough	243,814	-	243,814	-	-	-	-
Depreciation(unallocated)*	255,524	-	-	-	(255,524)	-	(255,524)
	<u>499,338</u>	<u>-</u>	<u>243,814</u>	<u>-</u>	<u>(255,524)</u>	<u>-</u>	<u>(255,524)</u>
Total governmental activities	<u>8,278,779</u>	<u>1,033,557</u>	<u>564,556</u>	<u>14,150</u>	<u>(6,666,516)</u>	<u>-</u>	<u>(6,666,516)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	3,551	-	-	-	-	(3,551)	(3,551)
Non-instructional programs:							
Food service operations	316,122	168,842	148,561	-	-	1,281	1,281
Total business type activities	<u>319,673</u>	<u>168,842</u>	<u>148,561</u>	<u>-</u>	<u>-</u>	<u>(2,270)</u>	<u>(2,270)</u>
Total	<u>\$ 8,598,452</u>	<u>1,202,399</u>	<u>713,117</u>	<u>14,150</u>	<u>(6,666,516)</u>	<u>(2,270)</u>	<u>(6,668,786)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes				\$ 2,511,277	-		2,511,277
Debt service				380,793	-		380,793
Capital outlay				247,209	-		247,209
Income surtax				305,364	-		305,364
Statewide sales, service and use tax				547,483	-		547,483
Unrestricted state grants				3,123,014	-		3,123,014
Unrestricted investment earnings				20,971	139		21,110
Other				31,070	874		31,944
Transfers				(2,425)	2,425		-
Total general revenues and transfers				<u>7,164,756</u>	<u>3,438</u>		<u>7,168,194</u>
Change in net position				498,240	1,168		499,408
Net position beginning of year				<u>4,964,027</u>	<u>71,409</u>		<u>5,035,436</u>
Net position end of year				<u>\$ 5,462,267</u>	<u>72,577</u>		<u>5,534,844</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,336,837	678,788	1,039,546	179,428	4,234,599
Receivables:					
Property tax:					
Delinquent	25,897	3,710	2,896	4,851	37,354
Succeeding year	2,235,489	310,001	255,743	411,519	3,212,752
Income surtax	285,581	-	-	-	285,581
Accounts	6,316	-	8,042	505	14,863
Due from other governments	334,115	-	45,498	-	379,613
<b>Total assets</b>	<b>\$ 5,224,235</b>	<b>992,499</b>	<b>1,351,725</b>	<b>596,303</b>	<b>8,164,762</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 70,417	-	2,418	153	72,988
Salaries and benefits payable	648,181	-	-	-	648,181
Advances from grantors	6,391	-	-	-	6,391
Total liabilities	724,989	-	2,418	153	727,560
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	2,235,489	310,001	255,743	411,519	3,212,752
Income surtax	285,581	-	-	-	285,581
Total deferred inflows of resources	2,521,070	310,001	255,743	411,519	3,498,333
Fund balances:					
Restricted for:					
Categorical funding	258,819	-	-	-	258,819
Debt service	-	-	-	53,481	53,481
Management levy purposes	-	682,498	-	-	682,498
Student activities	-	-	-	115,348	115,348
Public education and recreation	-	-	-	15,802	15,802
School infrastructure	-	-	851,903	-	851,903
Physical plant and equipment	-	-	241,661	-	241,661
Unassigned	1,719,357	-	-	-	1,719,357
Total fund balances	1,978,176	682,498	1,093,564	184,631	3,938,869
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,224,235</b>	<b>992,499</b>	<b>1,351,725</b>	<b>596,303</b>	<b>8,164,762</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>		\$ 3,938,869
<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.		5,533,969
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		10,116
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.		285,581
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.		(5,016)
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	\$ 908,222	
Deferred inflows of resources	<u>(162,887)</u>	745,335
Long-term liabilities, including bonds and notes payable, computer lease payable, termination benefits payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(5,046,587)</u>
<b>Net position of governmental activities(page 18)</b>		<u><u>\$ 5,462,267</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,447,287	310,496	247,209	413,341	3,418,333
Tuition	565,633	-	-	-	565,633
Other	216,151	19,004	16,925	291,397	543,477
State sources	3,438,483	3,668	550,331	4,771	3,997,253
Federal sources	228,438	-	-	-	228,438
Total revenues	<u>6,895,992</u>	<u>333,168</u>	<u>814,465</u>	<u>709,509</u>	<u>8,753,134</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,661,379	51,796	263,163	-	2,976,338
Special	777,498	-	-	-	777,498
Other	846,417	-	-	331,716	1,178,133
	<u>4,285,294</u>	<u>51,796</u>	<u>263,163</u>	<u>331,716</u>	<u>4,931,969</u>
Support services:					
Student	193,727	-	-	-	193,727
Instructional staff	284,230	-	-	-	284,230
Administration	784,086	7,976	500	-	792,562
Operation and maintenance of plant	527,844	71,045	46,554	8,077	653,520
Transportation	346,099	29,488	45,702	-	421,289
	<u>2,135,986</u>	<u>108,509</u>	<u>92,756</u>	<u>8,077</u>	<u>2,345,328</u>
Non-instructional programs:					
Food service operations	-	6,430	-	-	6,430
Community service operations	2,500	-	-	-	2,500
	<u>2,500</u>	<u>6,430</u>	<u>-</u>	<u>-</u>	<u>8,930</u>
Capital outlay	-	-	434,982	-	434,982
Long-term debt:					
Principal	-	-	-	496,000	496,000
Interest and fiscal charges	-	-	-	36,705	36,705
	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,705</u>	<u>532,705</u>
Other expenditures:					
AEA flowthrough	243,814	-	-	-	243,814
Total expenditures	<u>6,667,594</u>	<u>166,735</u>	<u>790,901</u>	<u>872,498</u>	<u>8,497,728</u>
Excess(Deficiency) of revenues over(under) expenditures	228,398	166,433	23,564	(162,989)	255,406
Other financing sources(uses):					
Proceeds from computer lease	-	-	193,637	-	193,637
Sale of equipment	-	-	23,741	-	23,741
Insurance proceeds	15,542	-	20,765	-	36,307
Transfer in	-	-	-	155,252	155,252
Transfer out	(3,246)	-	(152,006)	-	(155,252)
Total other financing sources(uses)	<u>12,296</u>	<u>-</u>	<u>86,137</u>	<u>155,252</u>	<u>253,685</u>
Change in fund balances	240,694	166,433	109,701	(7,737)	509,091
Fund balances beginning of year	<u>1,737,482</u>	<u>516,065</u>	<u>983,863</u>	<u>192,368</u>	<u>3,429,778</u>
Fund balances end of year	<u>\$ 1,978,176</u>	<u>682,498</u>	<u>1,093,564</u>	<u>184,631</u>	<u>3,938,869</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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)** \$ 509,091

*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 is as follows:

Capital outlay	\$ 71,448	
Depreciation expense	(418,916)	
Loss on disposal	<u>(19,341)</u>	(366,809)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 26,310

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

Issued	(193,637)	
Repaid	<u>496,000</u>	302,363

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. (816)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance on an entity-wide basis. 10,116

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. 351,315

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

Termination benefits	44,921	
Pension expense	(356,977)	
Other postemployment benefits	<u>(21,274)</u>	<u>(333,330)</u>

**Change in net position of governmental activities(page 19)** \$ 498,240

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 84,678	10,116
Inventories	5,758	-
Total current assets	<u>90,436</u>	<u>10,116</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	53,588	-
<b>Total assets</b>	<u>144,024</u>	<u>10,116</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	23,331	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	681	-
Unearned revenues	6,009	-
Total current liabilities	<u>6,690</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	82,479	-
Net OPEB liability	1,471	-
Total noncurrent liabilities	<u>83,950</u>	<u>-</u>
<b>Total liabilities</b>	<u>90,640</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	4,138	-
<b>Net Position</b>		
Net investment in capital assets	53,588	-
Unrestricted	18,989	10,116
<b>Total net position</b>	<u>\$ 72,577</u>	<u>10,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Operating revenues:		
Local sources:		
Charges for services	\$ 168,842	-
Miscellaneous	874	10,116
Total operating revenues	<u>169,716</u>	<u>10,116</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant:		
Services	<u>3,551</u>	-
Non-instructional programs:		
Food service operations:		
Salaries	104,338	-
Benefits	21,763	-
Services	543	-
Supplies	182,712	-
Depreciation	<u>6,766</u>	-
Total non-instructional programs	<u>316,122</u>	-
Total operating expenses	<u>319,673</u>	-
Operating income(loss)	<u>(149,957)</u>	<u>10,116</u>
Non-operating revenues:		
State sources	2,464	-
Federal sources	146,097	-
Interest income	<u>139</u>	-
Total non-operating revenues	<u>148,700</u>	-
Change in net position before other financing sources	(1,257)	10,116
Other financing sources:		
Capital contributions	<u>2,425</u>	-
Change in net position	1,168	10,116
Net position beginning of year	<u>71,409</u>	-
Net position end of year	<u>\$ 72,577</u>	<u>10,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 168,668	-
Cash received from miscellaneous	874	10,116
Cash payments to employees for services	(125,707)	-
Cash payments to suppliers for goods or services	(158,112)	-
Net cash provided by(used in) operating activities	(114,277)	10,116
Cash flows from non-capital financing activities:		
State grants received	2,464	-
Federal grants received	119,808	-
Net cash provided by non-capital financing activities	122,272	-
Cash flows from investing activities:		
Interest on investments	139	-
Cash flows from capital financing activities:		
Purchase of capital assets	(2,358)	-
Net increase in cash and pooled investments	5,776	10,116
Cash and pooled investments beginning of year	78,902	-
Cash and pooled investments end of year	\$ 84,678	10,116
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>		
Operating income(loss)	\$ (149,957)	10,116
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	26,289	-
Depreciation	6,766	-
Decrease in inventories	1,724	-
Increase in accounts payable	681	-
Increase in deferred outflows of resources	(11,558)	-
Decrease in deferred inflows of resources	(2,910)	-
Increase in net pension liability	14,760	-
Increase in other postemployment benefits	102	-
Decrease in unearned revenue	(174)	-
Net cash provided by(used in) operating activities	\$ (114,277)	10,116

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

During the year ended June 30, 2017, the District received \$26,289 of federal commodities.

During the year ended June 30, 2017, the District received \$2,425 in capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**(1) Summary of Significant Accounting Policies**

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union, and Whitten, Iowa, and the predominate agricultural territory in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, BCLUW 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 BCLUW 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 Grundy, Marshall and Hardin County Assessors' Conference Boards.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives

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

The District reports the following non-major proprietary funds:

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

The Internal Service Fund is used to account for the partially self-funded health insurance operations of the District.

### 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investments non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ -
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-15 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 employer after the measurement date but before the end of the employer's reporting period.

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary 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 purpose 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 Employee's 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 that applies to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized 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 the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

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

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Student Activity	General	\$ 3,246
Debt Service	Capital Projects: Physical Plant and Equipment Levy	152,006
Total		<u>\$ 155,252</u>

The transfer from the General Fund to the Student Activity Fund was a reimbursement for costs associated with the purchase of safety equipment. The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

(4) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Total capital assets not being depreciated	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Capital assets being depreciated:				
Buildings	10,227,193	-	-	10,227,193
Land improvements	211,035	-	-	211,035
Machinery and equipment	2,720,083	71,448	138,198	2,653,333
Total capital assets being depreciated	<u>13,158,311</u>	<u>71,448</u>	<u>138,198</u>	<u>13,091,561</u>
Less accumulated depreciation for:				
Buildings	5,207,395	244,972	-	5,452,367
Land improvements	90,748	10,552	-	101,300
Machinery and equipment	2,039,390	163,392	118,857	2,083,925
Total accumulated depreciation	<u>7,337,533</u>	<u>418,916</u>	<u>118,857</u>	<u>7,637,592</u>
Total capital assets being depreciated, net	<u>5,820,778</u>	<u>(347,468)</u>	<u>19,341</u>	<u>5,453,969</u>
Governmental activities capital assets, net	<u>\$ 5,900,778</u>	<u>(347,468)</u>	<u>19,341</u>	<u>5,533,969</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 124,913	4,783	-	129,696
Less accumulated depreciation	69,342	6,766	-	76,108
Business type activities capital assets, net	<u>\$ 55,571</u>	<u>(1,983)</u>	<u>-</u>	<u>53,588</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 37,407
Other	15,703
Support services:	
Administration	9,018
Operation and maintenance of plant	8,460
Transportation	<u>92,804</u>
	<u>163,392</u>
Unallocated depreciation	<u>255,524</u>
Total governmental activities depreciation expense	<u>\$ 418,916</u>
Business type activities:	
Food service operations	<u>\$ 6,766</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 735,000	-	365,000	370,000	370,000
Capital loan notes	977,000	-	131,000	846,000	134,000
Computer lease	-	193,637	-	193,637	64,450
Termination benefits	72,891	-	44,921	27,970	16,083
Net pension liability	2,730,602	573,301	-	3,303,903	-
Net OPEB liability	283,803	46,420	25,146	305,077	-
Total	\$ 4,799,296	813,358	566,067	5,046,587	584,533
<b>Business type activities:</b>					
Net pension liability	\$ 67,719	14,760	-	82,479	-
Net OPEB liability	1,369	224	122	1,471	-
Total	\$ 69,088	14,984	122	83,950	-

General Obligation Bonds

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

Year Ending June 30,	Refunding Bond Issue of February 19, 2014			
	Interest Rate	Principal	Interest	Total
2018	2.00%	\$ 370,000	7,400	377,400

Capital Loan Notes

Details of the District's June 30, 2017 capital loan note indebtedness, paid from the Capital Projects: Physical Plant and Equipment Levy Fund, are as follows:

Year Ending June 30,	Capital Loan Note Issue of September 4, 2014			
	Interest Rate	Principal	Interest	Total
2018	2.15%	\$ 134,000	18,189	152,189
2019	2.15	137,000	15,308	152,308
2020	2.15	139,000	12,363	151,363
2021	2.15	142,000	9,374	151,374
2022	2.15	145,000	6,321	151,321
2023	2.15	149,000	3,203	152,203
		\$ 846,000	64,758	910,758

Computer Lease

Details of the District's June 30, 2017 computer lease indebtedness, paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Computer Lease Issue of January 2, 2017			
	Interest Rate	Principal	Interest	Total
2018	2.18%	\$ 64,450	2,267	66,717
2019	2.18	63,896	2,821	66,717
2020	2.18	65,291	1,426	66,717
		\$ 193,637	6,514	200,151

## Termination Benefits

The District offered a voluntary early retirement plan to District employees in previous fiscal years. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which must be approved by the Board of Education.

Early retirees were given the option to receive their benefit in a cash payout or to apply it to insurance payments until the employee reaches ages 65 or the money runs out whichever occurs first. The early retirement benefit for each eligible employee was 50% of the employee's retirement year salary, less supplemental pay or extended contract pay. Insurance premiums are applied on a monthly basis to the retirement benefit until it is used up or the employee reaches age 65.

At June 30, 2017, the District had obligations to two participants with a total liability of \$27,970. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$44,921.

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2017 were \$360,212.

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 \$3,386,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's collective proportion was 0.053809%, which was a decrease of 0.002832% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$366,166. 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	\$ 29,929	40,415
Changes of assumptions	51,666	-
Net difference between projected and actual earnings on IPERS' investments	482,452	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	7,294	126,610
District contributions subsequent to the measurement date	<u>360,212</u>	-
Total	<u>\$ 931,553</u>	<u>167,025</u>

\$360,212 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 29,782
2019	29,782
2020	231,791
2021	122,326
2022	<u>(9,365)</u>
Total	<u>\$ 404,316</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, as follows:

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and 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 7.5%, 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	\$ 5,478,707	3,386,382	1,620,431

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$43,345 for legally required District contributions and \$28,880 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 57 active and 4 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The benefits are provided through fully-insured plans with Wellmark. Retirees under age 65 pay the same premiums for the medical/prescription drug benefit as active employees, which result in an implicit 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	\$ 73,454
Interest on net OPEB obligation	7,129
Adjustment to annual required contribution	<u>(33,939)</u>
Annual OPEB cost	46,644
Contributions made	<u>(25,268)</u>
Increase in net OPEB obligation	21,376
Net OPEB obligation - beginning of year	<u>285,172</u>
Net OPEB obligation - end of year	<u>\$ 306,548</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

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

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 50,214	8.94%	\$ 262,741
2016	46,642	51.91	285,172
2017	46,644	54.17	306,548

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 \$367,188, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,188. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,800,594 and the ratio of the UAAL to covered payroll was 9.66%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the single medical plan are \$555 to \$651 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2017 were \$661,576.

BCLUW 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.

#### **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$243,814 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.

**(10) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Limited english proficient	\$ 2,781
Home school assistance program	3,940
Returning dropouts and dropout prevention programs	11,881
Four-year-old preschool state aid	127,407
Teacher salary supplement	9,596
Successful progression for early readers	19,833
Professional development for model core curriculum	12,214
Teacher leadership grants	71,167
Total	<u>\$ 258,819</u>

**(11) Operating Lease**

The District entered into a 60-month contract with DeLage Landen Financial Services Inc. to lease a copy machine in September 2013. The remaining minimum amounts to be paid on the operating lease is as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2018	3,420
2019	855
Total	<u>\$ 4,275</u>

**(12) Reconciliation of Governmental Fund Balances to Net Position**

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

	<u>Net investment in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>Unassigned/Unrestricted</u>
Fund balance (Exhibit C)	\$ -	53,481	682,498	1,719,357
Capital assets, net of accumulated depreciation	5,533,969	-	-	-
General obligation bond capitalized indebtedness	(370,000)	-	-	-
Capital loan note capitalized indebtedness	(846,000)	-	-	-
Accrued interest payable	-	(5,016)	-	-
Termination benefits payable	-	-	(27,970)	-
Internal Service Fund	-	-	-	10,116
Income surtax	-	-	-	285,581
Pension related deferred outflows	-	-	-	908,222
Pension related deferred inflows	-	-	-	(162,887)
Net pension liability	-	-	-	(3,303,903)
Net OPEB liability	-	-	-	(305,077)
Computer lease payable	-	-	-	(193,637)
Net position (Exhibit A)	<u>\$ 4,317,969</u>	<u>48,465</u>	<u>654,528</u>	<u>(1,042,228)</u>

**(13) 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.

**(14) Tax Abatements**

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

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

**(15) 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

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,527,443	169,855	4,697,298	4,507,258	4,507,258	190,040
State sources	3,997,253	2,464	3,999,717	4,073,152	4,073,152	(73,435)
Federal sources	228,438	146,097	374,535	348,000	348,000	26,535
Total revenues	8,753,134	318,416	9,071,550	8,928,410	8,928,410	143,140
Expenditures/Expenses:						
Instruction	4,931,969	-	4,931,969	5,130,000	5,130,000	198,031
Support services	2,345,328	3,551	2,348,879	2,855,000	2,855,000	506,121
Non-instructional programs	8,930	316,122	325,052	369,000	369,000	43,948
Other expenditures	1,211,501	-	1,211,501	1,348,543	1,660,000	448,499
Total expenditures/expenses	8,497,728	319,673	8,817,401	9,702,543	10,014,000	1,196,599
Excess(Deficiency) of revenues over(under) expenditures/expenses	255,406	(1,257)	254,149	(774,133)	(1,085,590)	1,339,739
Other financing sources, net	253,685	2,425	256,110	-	-	256,110
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	509,091	1,168	510,259	(774,133)	(1,085,590)	1,595,849
Balances beginning of year	3,429,778	71,409	3,501,187	3,006,649	3,006,649	494,538
Balances end of year	\$ 3,938,869	72,577	4,011,446	2,232,516	1,921,059	2,090,387

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 \$311,457.

BCLUW COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST THREE FISCAL YEARS\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
District's proportion of the net pension liability	0.053809%	0.056641%	0.057234%
District's proportionate share of the net pension liability	\$ 3,386,382	2,798,321	2,269,841
District's covered-employee payroll	\$ 3,861,545	3,877,805	3,737,335
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.16%	60.73%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 360,212	344,836	346,288	333,744	323,401	301,048	256,217	251,104	230,924	216,518
Contributions in relation to the statutorily required contribution	\$ (360,212)	(344,836)	(346,288)	(333,744)	(323,401)	(301,048)	(256,217)	(251,104)	(230,924)	(216,518)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,033,733	3,861,545	3,877,805	3,737,335	3,730,115	3,730,458	3,686,576	3,776,000	3,636,598	3,578,810
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.

BCLUW 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 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.

BCLUW COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 359,000	359,000	0.0%	\$ 3,776,000	9.51%
2011	July 1, 2009	-	359,000	359,000	0.0	3,802,000	9.44
2012	July 1, 2009	-	359,000	359,000	0.0	3,812,000	9.42
2013	July 1, 2012	-	412,231	412,231	0.0	2,967,143	13.89
2014	July 1, 2012	-	402,817	402,817	0.0	3,262,076	12.35
2015	July 1, 2012	-	378,650	378,650	0.0	4,026,642	9.40
2016	July 1, 2015	-	674,922	674,922	0.0	3,273,728	11.45
2017	July 1, 2015	-	367,188	367,188	0.0	3,800,594	9.66

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW Community School District

SUPPLEMENTARY INFORMATION

BCLUW COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Special Revenue				
	Student Activity	Public Education and Recreation Levy	Total	Debt Service	Total
<b>Assets</b>					
Cash and pooled investments	\$ 114,993	15,416	130,409	49,019	179,428
Receivables:					
Property tax:					
Delinquent	-	389	389	4,462	4,851
Succeeding year	-	33,619	33,619	377,900	411,519
Accounts	505	-	505	-	505
<b>Total assets</b>	<b>\$ 115,498</b>	<b>49,424</b>	<b>164,922</b>	<b>431,381</b>	<b>596,303</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 150	3	153	-	153
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	-	33,619	33,619	377,900	411,519
Fund balances:					
Restricted for:					
Student activities	115,348	-	115,348	-	115,348
Public education and recreation	-	15,802	15,802	-	15,802
Debt service	-	-	-	53,481	53,481
Total fund balances	115,348	15,802	131,150	53,481	184,631
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 115,498</b>	<b>49,424</b>	<b>164,922</b>	<b>431,381</b>	<b>596,303</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Public Education and Recreation			Debt Service	Total
	Student Activity	Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	32,548	32,548	380,793	413,341
Other	290,692	8	290,700	697	291,397
State sources	-	384	384	4,387	4,771
Total revenues	290,692	32,940	323,632	385,877	709,509
Expenditures:					
Current:					
Instruction:					
Other	309,946	21,770	331,716	-	331,716
Support services:					
Operation and maintenance of plant	-	8,077	8,077	-	8,077
Long-term debt:					
Principal	-	-	-	496,000	496,000
Interest and fiscal charges	-	-	-	36,705	36,705
Total expenditures	309,946	29,847	339,793	532,705	872,498
Excess(Deficiency) of revenues over(under) expenditures	(19,254)	3,093	(16,161)	(146,828)	(162,989)
Other financing sources:					
Transfers in	3,246	-	3,246	152,006	155,252
Change in fund balances	(16,008)	3,093	(12,915)	5,178	(7,737)
Fund balances beginning of year	131,356	12,709	144,065	48,303	192,368
Fund balances end of year	\$ 115,348	15,802	131,150	53,481	184,631

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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
<b>Assets</b>			
Cash and pooled investments	\$ 800,424	239,122	1,039,546
Recivables:			
Property tax:			
Delinquent	-	2,896	2,896
Succeeding year	-	255,743	255,743
Accounts	8,042	-	8,042
Due from other governments	45,498	-	45,498
<b>Total assets</b>	<b>\$ 853,964</b>	<b>497,761</b>	<b>1,351,725</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,061	357	2,418
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	255,743	255,743
Fund balances:			
Restricted for:			
School infrastructure	851,903	-	851,903
Physical plant and equipment	-	241,661	241,661
Total fund balances	851,903	241,661	1,093,564
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 853,964</b>	<b>497,761</b>	<b>1,351,725</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	247,209	247,209
Other	15,503	1,422	16,925
State sources	547,483	2,848	550,331
Total revenues	<u>562,986</u>	<u>251,479</u>	<u>814,465</u>
Expenditures:			
Current:			
Instruction:			
Regular	262,018	1,145	263,163
Support services:			
Administration	-	500	500
Operation and maintenance of plant	-	46,554	46,554
Transportation	28,291	17,411	45,702
Capital outlay	407,558	27,424	434,982
Total expenditures	<u>697,867</u>	<u>93,034</u>	<u>790,901</u>
Excess(Deficiency) of revenues over(under) expenditures	(134,881)	158,445	23,564
Other financing sources(uses):			
Proceeds from computer lease	193,637	-	193,637
Insurance proceeds	23,741	-	23,741
Sale of equipment	20,765	-	20,765
Transfers out	-	(152,006)	(152,006)
Total other financing sources(uses)	<u>238,143</u>	<u>(152,006)</u>	<u>86,137</u>
Change in fund balances	103,262	6,439	109,701
Fund balances beginning of year	<u>748,641</u>	<u>235,222</u>	<u>983,863</u>
Fund balances end of year	<u>\$ 851,903</u>	<u>241,661</u>	<u>1,093,564</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Interest	\$ -	232	-	(232)	-
Elementary Activities	19,273	4,438	10,888	27	12,850
MS Activities	6,946	4,789	6,071	12	5,676
High School Activities	1,104	59	188	-	975
Advanced Construction	715	5,927	5,329	3	1,316
Display Case	3,449	8,526	-	-	11,975
Drama/Thespians	7,003	7,177	10,559	7	3,628
Speech	-	725	241	-	484
Vocal Music	1,278	3,973	4,706	-	545
Show Choir	783	6,566	4,994	5	2,360
Band	2,956	1,519	2,187	5	2,293
Middle School Vocal Music	59	105	140	-	24
Little League	508	5,310	4,448	3	1,373
Athletic	25,216	117,974	137,845	3,288	8,633
MS Athletic	4,557	690	690	10	4,567
HS Mathletes	528	-	-	1	529
FFA	-	2,434	1,816	-	618
Class of 2019	280	8,421	3,333	11	5,379
Talented and Gifted MS	2,055	557	889	4	1,727
Science Club	647	12,049	11,774	-	922
Green House	210	-	-	-	210
Class of 2018	5,086	18,694	12,548	24	11,256
FCCLA	3,211	1,289	1,312	6	3,194
Comet Café	1,621	5,279	5,879	2	1,023
Art Club	1,891	5,783	2,996	10	4,688
Letterwinners	1,685	-	335	3	1,353
National Art Honor Society	1,079	-	-	2	1,081
Class of 2016	2,135	-	2,135	-	-
Kiosk Fund	2,947	-	2,947	-	-
Concessions	603	26,501	26,516	12	600
Special Olympics	150	-	-	-	150
National Honor Society	1,404	467	604	3	1,270
Class of 2017	11,189	-	5,579	11	5,621
Student Council	6,139	5,843	5,928	13	6,067
Summer Concessions	9,984	26,656	25,420	13	11,233
Yearbook	461	7,209	7,410	-	260
Class of 2015	3,445	-	3,445	-	-
Robotics Club	759	1,500	794	3	1,468
<b>Total</b>	<b>\$ 131,356</b>	<b>290,692</b>	<b>309,946</b>	<b>3,246</b>	<b>115,348</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**BCLUW COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 3,418,333	3,378,444	3,326,776	3,202,898	3,800,176	3,584,440	3,503,935	3,358,274	3,379,165	3,163,985
Tuition	565,633	479,288	497,282	459,797	461,968	454,811	382,766	394,461	354,162	323,887
Other	543,477	583,554	593,551	651,850	566,835	550,492	575,797	510,325	531,636	554,796
State sources	3,997,253	3,872,945	3,796,210	3,585,964	3,015,531	3,063,554	2,823,470	2,514,445	3,060,564	2,906,756
Federal sources	228,438	240,154	211,404	162,593	208,677	145,589	291,194	539,357	289,694	269,196
<b>Total</b>	<b>\$ 8,753,134</b>	<b>8,554,385</b>	<b>8,425,223</b>	<b>8,063,102</b>	<b>8,053,187</b>	<b>7,798,886</b>	<b>7,577,162</b>	<b>7,316,862</b>	<b>7,615,221</b>	<b>7,218,620</b>
Expenditures:										
Instruction:										
Regular	\$ 2,976,338	2,920,959	2,643,837	2,532,089	2,777,757	2,483,786	2,449,910	2,538,909	2,655,148	2,662,171
Special	777,498	978,929	803,151	687,818	833,976	707,970	638,777	669,937	731,501	651,345
Other	1,178,133	751,394	1,097,418	1,167,054	1,143,970	1,059,803	1,132,360	1,043,032	989,208	804,006
Support services:										
Student	193,727	204,675	198,074	143,125	136,511	133,659	131,349	134,523	97,344	94,920
Instructional staff	284,230	252,591	235,608	251,717	267,018	265,967	267,771	223,273	230,109	200,159
Administration	792,562	788,298	840,639	795,354	760,906	754,014	737,939	744,651	747,875	703,427
Operation and maintenance of plant	653,520	717,770	613,547	652,773	607,582	591,612	617,800	539,137	548,564	569,301
Transportation	421,289	571,614	508,481	515,806	562,559	391,422	344,474	320,059	333,571	364,021
Non-instructional:										
Food service operations	6,430	6,649	8,310	8,162	7,245	6,631	7,574	9,811	7,060	5,648
Community service operations	2,500	4,776	4,367	6,654	2,492	4,515	6,656	18,945	19,685	2,435
Capital outlay	434,982	612,676	968,333	385,882	202,444	255,872	416,223	328,378	752,409	459,174
Long term debt:										
Principal	496,000	483,000	541,277	1,844,067	315,000	380,925	372,456	280,000	275,000	250,000
Interest and fiscal charges	36,705	46,558	67,789	84,336	83,975	102,512	117,029	117,538	127,825	168,688
Other expenditures:										
AEA flow-through	243,814	246,963	244,401	238,890	232,251	235,906	257,518	257,444	223,513	215,223
<b>Total</b>	<b>\$ 8,497,728</b>	<b>8,586,852</b>	<b>8,775,232</b>	<b>9,313,727</b>	<b>7,933,686</b>	<b>7,374,594</b>	<b>7,497,836</b>	<b>7,225,637</b>	<b>7,738,812</b>	<b>7,150,518</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

**To the Board of Education of BCLUW 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 BCLUW 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 15, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

## **BCLUW Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW 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 15, 2018  
Newton, Iowa

BCLUW COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2017

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-17 Segregation of Duties

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

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

- 1) Cash - reconciling, handling and recording cash.
- 2) Receipts - collecting and depositing; recording, journalizing, posting and reconciling.
- 3) Disbursements - check preparation, recording and reconciling.
- 4) Manual journal entries - writing, posting and approval.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

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

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

Response -

1. Cash: C. Parker – Business Office Secretary counts the money, it is deposited by B. Petty - Superintendent or C. Parker, it is receipted in by P. Benson – School Business Official for General Fund, PPEL, PERL & SAVE. HL & Activity is receipted in by C. Parker.

2. Receipts: C. Parker, building secretaries and food service director all deposit money in to family accounts for hot lunch. Receipts are entered and posted by C. Parker and the

account is reconciled by P. Benson for hot lunch. Activity deposits are counted by building secretaries or sponsor and a receipt ticket is written up – it is then given to C. Parker to count again before depositing it. P. Benson reconciles the activity account. When cash/checks are brought in, the student is given a receipt for anything other than hot lunch or tee shirt orders.

3. Disbursements: Requisitions for each building expense are written up by the building secretary and are approved by the building principal, P. Benson and B. Petty before checks are written. For district wide expenses for GF, PPEL, PERL, SAVE, Mgt., Debt Service & HL are written up by P. Benson, approved by B. Petty and checks are written by C. Parker. Requisitions for activity fund are written up by C. Parker, approved by B. Petty and checks are written by P. Benson. All purchase orders and requisitions are approved by Mr. Petty before the checks are written.

4. Manual Journal Entries: Manual journal entries are made monthly to disburse the interest properly in to each fund after the interest is receipted in and also for the monthly entries to move funds to the partial self funding account. Also fiscal year end manual entries are made. Other than that, manual entries are not used much. I will begin giving a monthly detailed manual journal entry report to B. Petty for his approval.

5. Financial Reporting: Monthly financial reports for hot lunch and activity fund are completed by C. Parker and reviewed by P. Benson. General fund, PPEL/PERL, Debt service, Management and Save are completed by P. Benson and reviewed by B. Petty. Each month all the financial reporting is given to B. Petty along with the bank statements so he can compare numbers before signing off on them. The school board approves the financial reports and payment of invoices.

6. Computer Systems – Both C. Parker and P. Benson have access to all modules of the accounting software and are able to review any tasks completed.

Conclusion - Response accepted.

I-B-17 Gate Admissions

Criteria - An effective internal control system provides for internal controls related to ensuring proper accounting for revenues. Internal controls over safeguarding gate revenues constitute a process, effected by an entity's governing body, management, and other personnel designed to provide reasonable assurance over the safeguarding of assets from error or misappropriations.

Condition - We noted during our audit that the District does not utilize prenumbered tickets for all events that require admission and does not appear to have a system in place to review or control gate revenue.

Cause - The District has not implemented gate procedures utilizing prenumbered tickets as a control to ensure all gate money is properly documented, reconciled, deposited, and recorded.

Effect - Lack of utilizing prenumbered tickets as a control over the gate collection process could result in District gate workers not detecting errors in the normal course of performing their assigned functions. As a result, this may provide opportunity for misappropriation.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any

policies and the District's business office should be involved in developing the detailed procedures. At a minimum, these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - There are always at least two people involved in the cash collection/sale at BCLUW. We do have cash boxes with established amounts in each box. The boxes are never left unattended and at the end of the activity, the money is handed over to the AD who in turn locks it up in the district office safe room. Cash boxes are never taken home. The next morning it is counted and deposited by C. Parker. The process is checked by P. Benson as randomly P. Benson will count the money and not tell C. Parker. After C. Parker counts the money and records what she counted, P. Benson confirms that their dollar amounts agree.

Conclusion - Response accepted.

I-C-17 Credit Card Payments Electronically Pulled from District Bank Account

Criteria - An effective internal control system provides internal controls related to ensuring proper accounting for disbursements made by the District. Internal controls over safeguarding assets constitute a process, effected by an entity's governing body designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation.

Condition - District credit card payments are automatically pulled from the District's checking account by the credit card vendor.

Cause - The District has not established a separate secondary bank account separate from the District's main checking account from which vendors can automatically pull funds for amounts owed to them by the District.

Effect - Lack of a separate account could give vendors who pull funds from District checking accounts access to all of the Districts money in the event in a manual entry error or computer error on the part of the vendor.

Recommendation - The District should not allow credit card vendors or any other vendors to automatically “pull” money out of any of the District’s checking accounts. These automatic payments appear to circumvent the “audit and allow” provisions required by state statute. The Iowa Office of the Auditor of State released guidance on this issue and recommended procedures and controls to implement if the District wishes to continue to allow automatic payments to vendors via the “pull” method.

If electronic transfers are processed by the vendor “pulling” from District checking accounts, the District’s controls and procedures should at a minimum be as follows:

- a. If a vendor statement is available prior to payment due date (applies to IASBO p-card payment as well):
  - i. Vendor statement reconciled for approved amounts due by the appropriate individual.
  - ii. The District should establish separate bank account at financial institution designated only for amounts to be "pulled" by vendors.
  - iii. SBO transfers approved amounts to designated bank account to be "pulled" by vendors on or before payment due dates.
- b. If a vendor statement is NOT available prior to payment due date:
  - i. Communicate and work with vendor for District to receive statement in sufficient time to provide appropriate reconciliation.
  - ii. When accomplished pursue procedures as described in item (a.) listed above.
  - iii. If NOT accomplished discontinue business with that vendor as under no circumstance are funds to be made available for vendor "pulling" prior to reconciliation for audit and approval prior to payment of public funds.

Response - A new bank account has been set up for IPERS to pull the monthly expense and also for Advantage Administrators to pull the weekly transmittal fees for the health insurance partial self funding. We do not allow the credit card company to pull from our account. A req. is written up for every purchase and it must be approved by the building principal, P. Benson and B. Petty before it is paid. A check is written for the credit card expense with Board approval. It is handled like all other accounts payable bills.

Conclusion - Response accepted.

BCLUW 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 - Expenditures for the year ended June 30, 2017 did not exceed the amended certified budget amounts.
- II-B-17 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dates 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 or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Adam Probasco, Board Member Father owns Conrad Tire & Auto	Services	\$6,772

In accordance with the Attorney General’s opinion dated November 9, 1976, the above transactions with the relative of a District official do not appear to represent a conflict of interest.

- 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 - We noted during our audit the basic enrollment data certified to the Iowa Department of Education was understated by 1.00 students.

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

Response - There was a student that was attending our school district and living with a grandparent. Because the student was a special education student, normally the residency follows where the biological parent lives. In this case it was determined after count day that the student was making a home in our district. The state has been notified.

Conclusion - Response accepted.

- II-H-17 Supplemental Weighting - We noted during our audit the supplementary weighting data certified to the Iowa Department of Education was understated by 0.108.

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

Response - We have resolved this issue with the Department of Education

Conclusion - Response accepted.

- II-I-17 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-17 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-17 Categorical Funding - No instances were noted of categorical funding 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		\$ 748,641
Revenues:		
Sales tax revenues	\$ 547,483	
Other local revenues	60,009	
Sale of long-term debt	<u>193,637</u>	<u>801,129</u>
Expenditures:		
Equipment	404,519	
Other	<u>293,348</u>	<u>697,867</u>
Ending balance		<u>\$ 851,903</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 Technology Fees - We noted the District currently charges a technology fee to students associated with usage of District computer equipment as part of the District's 1:1 program. The computer equipment was purchased from the Capital Projects Fund and, therefore, charging students for usage does not appear to be an allowable fee. According to guidance from the Iowa Department of Education released in July 2016, a technology fee is allowable as a textbook rental fee and would follow the same requirements. Fees must be based on actual costs. If a technology fee is charged to students, the District is saying that the technology is a textbook substitute; in which case the technology can only be purchased from the General Fund and not from Capital Projects. If a technology fee is charged, the waiver provisions must be honored.

The District is allowed to charge a refundable technology deposit to students. If a deposit is charged to students, it must be a reasonable amount. The District should deposit the check, but hold the deposits and not use the deposits to pay any expenditure, such as

repair or maintenance costs. The amount of the deposit would be returned to the student when the computer/technology is returned to the District; however, the District may reduce the amount of the deposit that it returns to the student by the actual costs of damage inflicted by the student while the computer/technology was in his/her possession (or should have been in his/her possession). Refundable deposits are not subject to the free/reduced waiver provisions.

If the computer/technology is actually stolen/damaged and the theft/incident reported, this equipment is deemed school property and is handled in the same way the District handles a theft from its computer lab whether or not the theft or damage occurred while the computer/technology was on district premises.

The District should also have or adopt a policy, approved by its board, on appropriate use, responsibilities, deposits, fees/fines, damage, and theft of computers/technology used by District students.

Recommendation - The District should review allowable technology fees charged to students and make the necessary adjustments to comply with the guidance set forth by the Iowa Department of Education and the Code of Iowa.

Response - The district will cease charging a separate technology fee for student computer use.

Conclusion - Response accepted.

II-N-17 Deficit Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant deficit student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to deficit student lunch account balances. These policies should be aimed at discouraging the accounts from reaching significant deficit amounts. The District should try various collection techniques to collect the balances from the families.

Response - The school set a new policy for negative lunch accounts two years ago, policy 710.4 We continually give families forms for free and reduced meals but if they don't complete them, we can't allow the reduction. Our Food Service Director sends out low balance letters every week. We have also started using a collection agency for some of the old accounts in hopes of collecting some of the funds.

Conclusion - Response accepted.