

**BOONE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

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## **Introductory Section**

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# Board of Education and School District Officials

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As of June 30, 2018

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education (Before September, 2017 Election)</b>		
Kirk Leeds	President	September, 2017
Jan Westrum	Vice President	September, 2019
Dr. Brian Mehlhaus	Board Member	September, 2017
Scott Degeneffe	Board Member	September, 2019
Jean Sorsen	Board Member	September, 2019
<b>(After September, 2017 Election)</b>		
Jan Westrum	President	September, 2019
Dr. Brian Mehlhaus	Vice President	September, 2021
Scott Degeneffe	Board Member	September, 2019
Jean Sorsen	Board Member	September, 2019
Jeremy Pritchard	Board Member	September, 2021
<b>School Officials</b>		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Resigned March, 2018
Mitchell Lewis	District Secretary/Treasurer (Appointed May, 2018)	Indefinite

**Financial Section**



## **Independent Auditor's Report**

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Board of Education  
Boone Community School District  
Boone, Iowa

### **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 Boone Community School District, Boone, Iowa, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the primary government, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that 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 Boone Community School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 19, Boone Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of changes in the District's total OPEB liability, related ratios and notes on pages 5 through 15 and 48 through 53 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 the 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 auditing standards generally accepted in the United States of America, 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 Boone 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 nine years ended June 30, 2017 (which are not presented herein) and expressed unqualified opinions on the financial statements for the years ended June 30, 2009 through 2011 and 2017, a qualified opinion on the financial statements for the year ended June 30, 2012 and an adverse opinion on the financial statements for the years ended June 30, 2013 through 2016. The supplementary information included on pages 54 through 63, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2018 on our consideration of Boone 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 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 Boone Community School District's internal control over financial reporting and compliance.



HOGAN - HANSEN

Mason City, Iowa  
November 28, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone Community School District is pleased to provide this management's discussion and analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during fiscal year 2018. The beginning net position was restated by \$1,101,176 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources as of June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenue increased 2.4% from \$23,970,044 in fiscal year 2017 to \$24,536,108 in fiscal year 2018 while General Fund expenditures decreased 0.6% from \$24,671,130 in fiscal year 2017 to \$24,393,842 in fiscal year 2018. The District's General Fund balance increased from \$3,791,817 as of the end of fiscal year 2017 to \$3,985,972 as of the end of fiscal year 2018, a 5.1% increase.
- The increase in General Fund revenue was primarily attributed to an increase in property tax revenue. General Fund expenditures were consistent with prior years.

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

Notes to the 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 the schedule of changes in the District's total OPEB liability, related ratios and notes.

Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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

**FIGURE A-1  
BOONE COMMUNITY SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT**

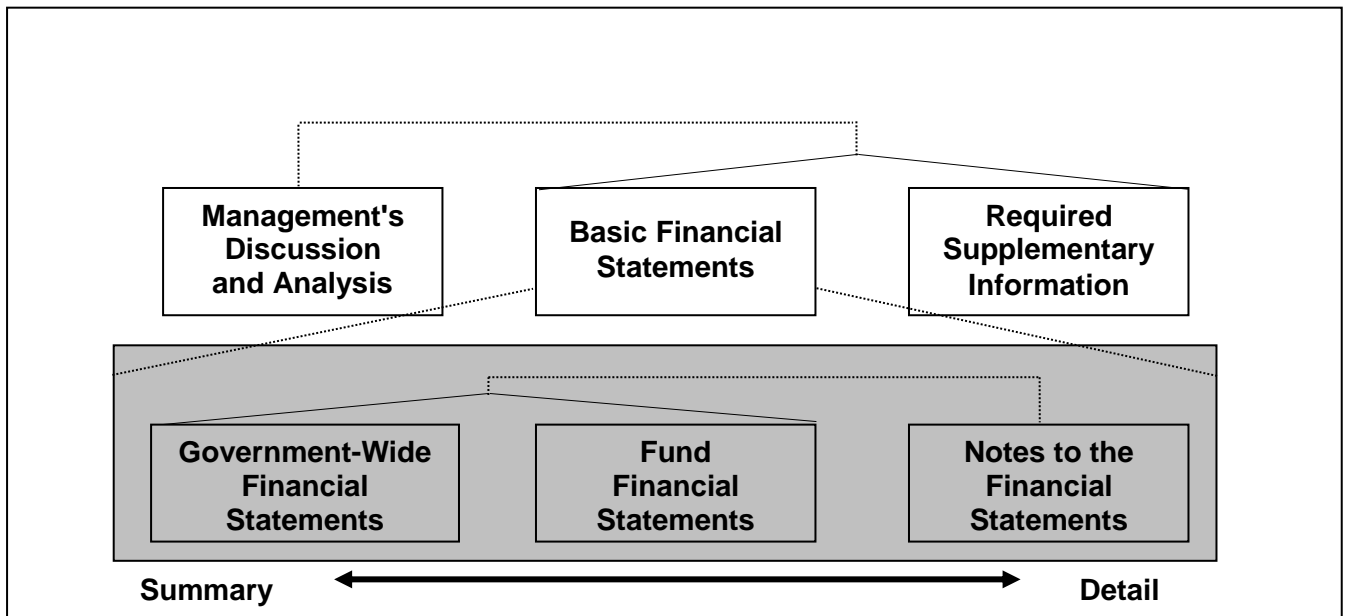


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<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	Fiduciary Fund
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 services and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenue, expenditures and changes in fund balances	Statement of net position  Statement of revenue, expenses and changes in fund net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-Wide Financial Statements

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

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

### REVIEW OF BOONE COMMUNITY SCHOOL DISTRICT PROPERTY TAX VALUATIONS BY YEAR

Year	Taxable Valuation Without TIF	Increase (Decrease) Over Previous Year	Percentage Change
FY 09	\$397,048,126	\$14,496,426	3.79%
FY 10	415,002,669	17,954,543	4.52
FY 11	429,019,784	14,017,115	3.38
FY 12	425,063,630	(3,956,154)	0.10
FY 13	439,261,596	14,197,966	3.34
FY 14	463,487,330	24,225,734	5.51
FY 15	465,221,928	7,734,598	1.67
FY 16	467,421,037	2,199,109	0.47
FY 17	475,130,923	7,709,886	1.65
FY 18	498,679,787	25,548,864	5.00

### BOONE COMMUNITY SCHOOL DISTRICT FACILITIES BY AGE

	Built	Additions
Boone High School	1913	1924, 1954, 1986, 1995, 2014
Lincoln Elementary	1939	1960
Franklin Elementary	1954	1998, 2010
Page Elementary	1960	
Boone Middle School	2006	2010

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

The District has three kinds of funds:

- *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 available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *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. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's Internal Service Fund is used to account for dental insurance.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds are the Private-Purpose Trust Fund, which is used to account for outside donations for scholarships for individual students, and the Agency Fund, which is used to account for funds the District administers for certain federal and/or state grants as a fiscal agent.

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

The required financial statements for the fiduciary fund include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the 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 as of June 30, 2018 compared to June 30, 2017.

**FIGURE A-3  
CONDENSED STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total District June 30,</u>		<u>Percentage Change 2017-2018</u>
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
Current and other assets	\$ 24,468,157	\$ 23,985,079	\$ 547,160	\$ 462,681	\$ 25,015,317	\$ 24,447,760	2.3%
Capital assets	<u>43,168,052</u>	<u>43,844,269</u>	<u>107,783</u>	<u>128,608</u>	<u>43,275,835</u>	<u>43,972,877</u>	(1.6)
<b>Total Assets</b>	<b><u>67,636,209</u></b>	<b><u>67,829,348</u></b>	<b><u>654,943</u></b>	<b><u>591,289</u></b>	<b><u>68,291,152</u></b>	<b><u>68,420,637</u></b>	<b>(0.2)</b>
<b>Deferred Outflows of Resources</b>	<b><u>4,095,305</u></b>	<b><u>3,536,818</u></b>	<b><u>73,416</u></b>	<b><u>70,055</u></b>	<b><u>4,168,721</u></b>	<b><u>3,606,873</u></b>	<b>15.6</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 71,731,514</u></b>	<b><u>\$ 71,366,166</u></b>	<b><u>\$ 728,359</u></b>	<b><u>\$ 661,344</u></b>	<b><u>\$ 72,459,873</u></b>	<b><u>\$ 72,027,510</u></b>	<b>0.6</b>
Long-term liabilities	\$ 44,437,778	\$ 44,955,239	\$ 273,389	\$ 234,686	\$ 44,711,167	\$ 45,189,925	(1.1)
Other liabilities	<u>2,731,314</u>	<u>3,280,398</u>	<u>123,463</u>	<u>76,061</u>	<u>2,854,777</u>	<u>3,356,459</u>	(14.9)
<b>Total Liabilities</b>	<b><u>47,169,092</u></b>	<b><u>48,235,637</u></b>	<b><u>396,852</u></b>	<b><u>310,747</u></b>	<b><u>47,565,944</u></b>	<b><u>48,546,384</u></b>	<b>(2.0)</b>
<b>Deferred Inflows of Resources</b>	<b><u>10,403,770</u></b>	<b><u>9,652,471</u></b>	<b><u>7,690</u></b>	<b><u>7,057</u></b>	<b><u>10,411,460</u></b>	<b><u>9,659,528</u></b>	<b>7.8</b>
<b>Net Position</b>							
Net investment in capital assets	14,431,225	13,683,282	107,783	128,608	14,539,008	13,811,890	5.3
Restricted	7,081,232	5,781,487	—	—	7,081,232	5,781,487	22.5
Unrestricted	<u>(7,353,805)</u>	<u>(5,986,711)</u>	<u>216,034</u>	<u>214,932</u>	<u>(7,137,771)</u>	<u>(5,771,779)</u>	23.7
<b>Total Net Position</b>	<b><u>14,158,652</u></b>	<b><u>13,478,058</u></b>	<b><u>323,817</u></b>	<b><u>343,540</u></b>	<b><u>14,482,469</u></b>	<b><u>13,821,598</u></b>	<b>4.8</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 71,731,514</u></b>	<b><u>\$ 71,366,166</u></b>	<b><u>\$ 728,359</u></b>	<b><u>\$ 661,344</u></b>	<b><u>\$ 72,459,873</u></b>	<b><u>\$ 72,027,510</u></b>	<b>0.6</b>

Prior to restatement, the District's total net position increased 4.8%, or \$660,871 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District's total restricted net position increased by \$1,299,745, or 22.5%, over 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, decreased by \$1,365,992, or 23.7%.

Figure A-4 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

**FIGURE A-4  
CHANGE IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total District June 30,</u>		<u>Percentage Change 2017-2018</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
<b>Revenue</b>							
Program Revenue							
Charges for service	\$ 1,973,038	\$ 2,019,247	\$ 435,088	\$ 421,709	\$ 2,408,126	\$ 2,440,956	(1.3)%
Operating grants and contributions	4,212,880	4,172,076	508,295	490,566	4,721,175	4,662,642	1.3
General Revenue							
Property tax	9,224,425	8,635,040	—	—	9,224,425	8,635,040	6.8
Income surtax	834,059	875,730	—	—	834,059	875,730	(4.8)
Statewide sales, services and use tax	1,934,004	2,002,650	—	—	1,934,004	2,002,650	(3.4)
Unrestricted state grants	11,657,692	11,633,272	—	—	11,657,692	11,633,272	0.2
Unrestricted investment earnings	100,174	27,115	3,426	896	103,600	28,011	269.9
<b>Total Revenue</b>	<b><u>29,936,272</u></b>	<b><u>29,365,130</u></b>	<b><u>946,809</u></b>	<b><u>913,171</u></b>	<b><u>30,883,081</u></b>	<b><u>30,278,301</u></b>	<b>2.0</b>
<b>Program Expenses</b>							
Instruction	18,134,952	18,178,659	—	—	18,134,952	18,178,659	(0.2)
Support services	8,068,895	8,040,147	—	—	8,068,895	8,040,147	0.4
Noninstructional programs	—	—	885,946	852,149	885,946	852,149	4.0
Other	2,002,544	2,113,472	—	—	2,002,544	2,113,472	(5.2)
<b>Total Expenses</b>	<b><u>28,206,391</u></b>	<b><u>28,332,278</u></b>	<b><u>885,946</u></b>	<b><u>852,149</u></b>	<b><u>29,092,337</u></b>	<b><u>29,184,427</u></b>	<b>(0.3)</b>
<b>Change in Net Position Before Transfers</b>							
	<b><u>1,729,881</u></b>	<b><u>1,032,852</u></b>	<b><u>60,863</u></b>	<b><u>61,022</u></b>	<b><u>1,790,744</u></b>	<b><u>1,093,874</u></b>	<b>63.7</b>
Transfers	<u>51,889</u>	<u>49,949</u>	<u>(51,889)</u>	<u>(49,949)</u>	<u>—</u>	<u>—</u>	0.0
<b>Change in Net Position</b>	<b><u>1,781,770</u></b>	<b><u>1,082,801</u></b>	<b><u>8,974</u></b>	<b><u>11,073</u></b>	<b><u>1,790,744</u></b>	<b><u>1,093,874</u></b>	<b>63.7</b>
Net Position - Beginning of Year, as restated (Note 19)	<u>12,376,882</u>	<u>12,395,257</u>	<u>314,843</u>	<u>332,467</u>	<u>12,691,725</u>	<u>12,727,724</u>	(0.3)
<b>Net Position - End of Year</b>	<b><u>\$ 14,158,652</u></b>	<b><u>\$ 13,478,058</u></b>	<b><u>\$ 323,817</u></b>	<b><u>\$ 343,540</u></b>	<b><u>\$ 14,482,469</u></b>	<b><u>\$ 13,821,598</u></b>	<b>4.8</b>

In fiscal year 2018, property tax and unrestricted state grants accounted for 69.8% of governmental activities revenue while charges for service and operating grants and contributions accounted for 99.6% of business-type activities revenue.

The District's total revenue was approximately \$30.9 million, of which approximately \$29.9 million was for governmental activities and less than \$1.0 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 2.0% increase in revenue and a 0.3% decrease in expenses, which is consistent with prior years.

## Governmental Activities

Governmental activities revenue was \$29,936,272 and expenses were \$28,206,391 for the year ended June 30, 2018.

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

**FIGURE A-5  
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		Percentage Change 2017-2018	<u>Net Cost of Services</u>		Percentage Change 2017-2018
	2018	2017		2018	2017	
Instruction	\$ 18,134,952	\$ 18,178,659	(0.2)%	\$ 12,906,000	\$ 13,033,244	(1.0)%
Support services	8,068,895	8,040,147	0.0	8,009,126	7,869,471	0.0
Other expenses	<u>2,002,544</u>	<u>2,113,472</u>	(0.1)	<u>1,105,347</u>	<u>1,238,240</u>	(0.1)
<b>Total</b>	<b><u>\$ 28,206,391</u></b>	<b><u>\$ 28,332,278</u></b>	<b>0.0</b>	<b><u>\$ 22,020,473</u></b>	<b><u>\$ 22,140,955</u></b>	<b>0.0</b>

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$1,973,038.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$4,212,880.
- The net cost of governmental activities was financed with \$11,992,488 in property and other taxes and \$11,657,692 in unrestricted state grants.

## Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2018 was \$946,809 representing a 3.7% increase from the prior year, while expenses totaled \$885,946, a 4.0% increase from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue of this activity is primarily comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Boone 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 \$10,986,267, an increase from last year's ending fund balances of \$10,568,198. The primary reason for the increase in combined fund balances at the end of fiscal year 2018 was due to an increase in fund balances for General, Debt Service and combined Nonmajor Funds, offset by a decrease in the Capital Projects Fund.



## **Governmental Fund Highlights**

- The General Fund balance increased \$194,155 to \$3,985,972 at the end of fiscal year 2018.
- The Debt Service Fund balance increased from \$990,609 at the end of fiscal year 2017 to \$1,179,398 at the end of fiscal year 2018. The increase was due to refunding bond proceeds and transfers in exceeding payments to the refunding bond escrow agent and transfers out.
- The Capital Projects Fund balance decreased from \$4,972,514 at the end of fiscal year 2017 to \$4,889,787 at the end of fiscal year 2018. This was due to decreased state revenue as well as increased transfers to Debt Service to cover regular debt payments and the advanced refunding defeasement payment.

## **Proprietary Fund Highlights**

- School Nutrition Fund net position decreased from \$343,540 as of June 30, 2017 to \$323,817 as of June 30, 2018, representing a decrease of 5.7%. The decrease was primarily due to an increase in food and supplies costs as well as an increased transfer to the General Fund for indirect cost recovery.
- The Internal Service Fund net position increased from \$66,511 as of June 30, 2017 to \$70,290 as of June 30, 2018, representing an increase of 5.7%. The increase was a result of the self-insurance contribution revenue received exceeding the self-insurance claims paid.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Boone Community School District amended its budget one time to reflect additional expenditures associated with increased associate needs and refunding of general obligation debt.

The District's total revenue was \$140,613 more than total budgeted revenue, a variance of 0.5%.

Total expenditures were less than budgeted due primarily to budgeting the bond defeasement payment as an expenditure rather than as an other financing use. 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 ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2018, the District had invested approximately \$43.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$1,317,460.

The original cost of the District's capital assets was approximately \$58.6 million. Governmental funds account for approximately \$58.1 million, with the remainder of approximately \$0.5 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category as various pieces of equipment and furniture were capitalized.

**FIGURE A-6  
CAPITAL ASSETS, NET OF DEPRECIATION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District June 30,</u>		<u>Percentage</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 319,432	\$ 319,432	\$ —	\$ —	\$ 319,432	\$ 319,432	0.0%
Construction in progress	70,950	—	—	—	70,950	—	100.0
Buildings and improvements	41,821,506	42,896,797	—	—	41,821,506	42,896,797	0.0
Furniture and equipment	<u>956,164</u>	<u>628,040</u>	<u>107,783</u>	<u>128,608</u>	<u>1,063,947</u>	<u>756,648</u>	0.4
<b>Total</b>	<b><u>\$ 43,168,052</u></b>	<b><u>\$ 43,844,269</u></b>	<b><u>\$ 107,783</u></b>	<b><u>\$ 128,608</u></b>	<b><u>\$ 43,275,835</u></b>	<b><u>\$ 43,972,877</u></b>	<b>0.0</b>

As of June 30, 2018, the District had a total of approximately \$29.4 million in general obligation and revenue bonds outstanding, net of unamortized premiums and discounts. This represents a decrease of 0.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$44 million.

**FIGURE A-7  
OUTSTANDING LONG-TERM OBLIGATIONS**

	<u>Total District June 30, 2018</u>	<u>Total District June 30, 2017</u>	<u>Total Change 2017-2018</u>
General obligation bonds	\$ 19,059,000	\$ 20,138,000	(5.4)%
Revenue bonds	10,116,000	11,210,000	(9.8)
Unamortized underwriter's discount	(174,088)	(279,636)	(37.7)
Unamortized premium	188,871	218,887	(13.7)
Unamortized deferred loss on refunding	<u>232,321</u>	<u>—</u>	100.0
	<b><u>\$ 29,422,104</u></b>	<b><u>\$ 31,287,251</u></b>	<b>(6.0)</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Boone Community School District Board of Education adopted a fiscal management policy in fiscal year 2011. Financial targets for two key school finance indicators, unspent authorized budget and solvency ratio, have been set to closely monitor the current and projected fiscal health of the District. Sustainability is an important goal which will require a spending plan related to budgetary allowable growth each year. Recurring expenses such as salaries and benefits which represent nearly 80% of the General Fund budget, must be scrutinized and adjusted as necessary to maintain the District's fiscal management goals.
- The District's unspent and unrestricted authorized budget balance, or the remaining legal spending authority at the end of a fiscal year, increased from \$3,544,397 as of June 30, 2017 to \$3,727,083 as of June 30, 2018. This is the most important financial health indicator for the District, and the fiscal management goal is no less than 10% with a target of 15%. The unspent balance ratio increased from 12.3% as of June 30, 2017 to 12.9% as of June 30, 2018.
- The District's General Fund balance increased during fiscal year 2018. The General Fund unassigned fund balance decreased from \$3,222,698 as of June 30, 2017 to \$3,294,400 as of June 30, 2018. The District's targeted solvency ratio as of June 30 is a minimum of 15% of that year's revenue. The solvency ratio as of June 30, 2018 is 13.5%, an increase from 13.4% as of June 30, 2017.
- The allowable growth increase for fiscal year 2019 is 1.10%. The rate increase for fiscal year 2020 has not yet been set. The certified enrollment figures reported in October, 2018, which will be the basis for the District's state funding for fiscal year 2020, increased by 7.4 students. The District's served enrollment decreased by 3.2 students, compared to the prior year.
- The District enters into annual contracts with its two collective bargaining units. Growth in employee wages and benefits has outpaced state funding to schools which has a profound effect on the District's General Fund budget as salaries and benefits remain close to 80% of General Fund expenditures. Low allowable growth and declining enrollment trends continue to have a significant impact on future budget decisions.

## **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 commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mitchell Lewis, District Secretary/Treasurer and Director of Business Services, Boone Community School District, 500 Seventh Street, Boone, IA 50036-2898.

## **Basic Financial Statements**

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## Statement of Net Position

As of June 30, 2018

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 12,462,208	\$ 511,507	\$ 12,973,715
Receivables			
Property Tax, Net of Allowance			
Current year delinquent .....	64,745	—	64,745
Succeeding year .....	9,908,084	—	9,908,084
Accounts .....	2,452	10,268	12,720
Internal balances .....	101,838	—	101,838
Due from other governments .....	1,739,496	10,184	1,749,680
Inventories and prepaid items.....	15,246	15,201	30,447
Unamortized underwriter's discount on bonds payable.....	174,088	—	174,088
Capital assets, net of accumulated depreciation	<u>43,168,052</u>	<u>107,783</u>	<u>43,275,835</u>
<b>Total Assets</b> .....	<b><u>67,636,209</u></b>	<b><u>654,943</u></b>	<b><u>68,291,152</u></b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on refunding bonds.....	232,321	—	232,321
Pension-related deferred outflows .....	<u>3,862,984</u>	<u>73,416</u>	<u>3,936,400</u>
<b>Total Deferred Outflows of Resources</b> .....	<b><u>4,095,305</u></b>	<b><u>73,416</u></b>	<b><u>4,168,721</u></b>
<b>Total Assets and Deferred Outflows of Resources</b> .....	<b><u>\$ 71,731,514</u></b>	<b><u>\$ 728,359</u></b>	<b><u>\$ 72,459,873</u></b>

## Statement of Net Position

As of June 30, 2018

	Governmental Activities	Business- Type Activities	Total
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Liabilities</b>			
Accounts payable .....	\$ 139,551	\$ —	\$ 139,551
Salaries and benefits payable.....	1,942,947	6,295	1,949,242
Internal balances .....	—	101,838	101,838
Due to other governments .....	404,362	—	404,362
Accrued interest payable .....	236,040	—	236,040
Unearned revenue.....	8,414	15,330	23,744
<b>Long-Term Liabilities</b>			
<b>Portion Due Within One Year</b>			
General obligation bonds.....	1,109,000	—	1,109,000
Revenue bonds .....	923,000	—	923,000
Unamortized bond premium.....	19,808	—	19,808
Early retirement .....	135,150	—	135,150
<b>Portion Due After One Year</b>			
General obligation bonds.....	17,950,000	—	17,950,000
Revenue bonds .....	9,193,000	—	9,193,000
Unamortized premium on bonds payable.....	169,063	—	169,063
Net pension liability.....	13,552,221	247,124	13,799,345
Total OPEB liability.....	<u>1,386,536</u>	<u>26,265</u>	<u>1,412,801</u>
<b>Total Liabilities</b> .....	<b><u>47,169,092</u></b>	<b><u>396,852</u></b>	<b><u>47,565,944</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue .....	9,908,084	—	9,908,084
OPEB-related deferred inflows .....	25,680	489	26,169
Pension-related deferred inflows .....	<u>470,006</u>	<u>7,201</u>	<u>477,207</u>
<b>Total Deferred Inflows of Resources</b> .....	<b><u>10,403,770</u></b>	<b><u>7,690</u></b>	<b><u>10,411,460</u></b>
<b>Net Position</b>			
Net investment in capital assets .....	14,431,225	107,783	14,539,008
<b>Restricted for</b>			
Categorical funding .....	673,147	—	673,147
Debt service .....	1,160,896	—	1,160,896
School infrastructure .....	3,851,404	—	3,851,404
Physical plant and equipment .....	600,210	—	600,210
Student activities .....	148,399	—	148,399
Management levy purposes .....	437,663	—	437,663
Public recreation .....	209,513	—	209,513
Unrestricted.....	<u>(7,353,805)</u>	<u>216,034</u>	<u>(7,137,771)</u>
<b>Total Net Position</b> .....	<b><u>14,158,652</u></b>	<b><u>323,817</u></b>	<b><u>14,482,469</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b><u>\$ 71,731,514</u></b>	<b><u>\$ 728,359</u></b>	<b><u>\$ 72,459,873</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue		Net (Expense), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Instruction						
Regular.....	\$ 12,252,308	\$ 1,443,514	\$ 3,043,762	\$ (7,765,032)	\$ —	\$ (7,765,032)
Special .....	4,547,411	233,957	120,665	(4,192,789)	—	(4,192,789)
Other .....	1,335,233	249,192	137,862	(948,179)	—	(948,179)
Total Instruction .....	<u>18,134,952</u>	<u>1,926,663</u>	<u>3,302,289</u>	<u>(12,906,000)</u>	<u>—</u>	<u>(12,906,000)</u>
Support Services						
Student.....	1,055,292	—	—	(1,055,292)	—	(1,055,292)
Instructional staff .....	1,235,207	—	—	(1,235,207)	—	(1,235,207)
Administration.....	2,510,045	—	—	(2,510,045)	—	(2,510,045)
Operation and maintenance of plant.....	2,653,046	38,016	—	(2,615,030)	—	(2,615,030)
Transportation .....	615,305	8,359	13,394	(593,552)	—	(593,552)
Total Support Services .....	<u>8,068,895</u>	<u>46,375</u>	<u>13,394</u>	<u>(8,009,126)</u>	<u>—</u>	<u>(8,009,126)</u>
Other Expenses						
Facilities acquisition.....	102,693	—	—	(102,693)	—	(102,693)
Long-term debt interest and fiscal charges .....	987,230	—	—	(987,230)	—	(987,230)
AEA flowthrough.....	897,197	—	897,197	—	—	—
Depreciation - unallocated*.....	15,424	—	—	(15,424)	—	(15,424)
Total Other Expenses .....	<u>2,002,544</u>	<u>—</u>	<u>897,197</u>	<u>(1,105,347)</u>	<u>—</u>	<u>(1,105,347)</u>
<b>Total Governmental Activities .....</b>	<b><u>28,206,391</u></b>	<b><u>1,973,038</u></b>	<b><u>4,212,880</u></b>	<b><u>(22,020,473)</u></b>	<b><u>—</u></b>	<b><u>(22,020,473)</u></b>
<b>Business-Type Activities</b>						
Noninstructional Programs						
Food service operations .....	<u>885,946</u>	<u>435,088</u>	<u>508,295</u>	<u>—</u>	<u>57,437</u>	<u>57,437</u>
<b>Total .....</b>	<b><u>\$ 29,092,337</u></b>	<b><u>\$ 2,408,126</u></b>	<b><u>\$ 4,721,175</u></b>	<b><u>(22,020,473)</u></b>	<b><u>57,437</u></b>	<b><u>(21,963,036)</u></b>
<b>General Revenue</b>						
Property Tax Levied for						
General purposes .....				6,188,049	—	6,188,049
Management levy purposes.....				434,680	—	434,680
Public recreation.....				67,272	—	67,272
Capital outlay.....				860,630	—	860,630
Debt service .....				1,673,794	—	1,673,794
Income surtax.....				834,059	—	834,059
Statewide sales, services and use tax .....				1,934,004	—	1,934,004
Unrestricted state grants .....				11,657,692	—	11,657,692
Unrestricted investment earnings .....				100,174	3,426	103,600
<b>Total General Revenue .....</b>				<b><u>23,750,354</u></b>	<b><u>3,426</u></b>	<b><u>23,753,780</u></b>
Transfers .....				<u>51,889</u>	<u>(51,889)</u>	<u>—</u>
<b>Change in Net Position .....</b>				<b>1,781,770</b>	<b>8,974</b>	<b>1,790,744</b>
Net Position - Beginning of Year, as restated (Note 19).....				<u>12,376,882</u>	<u>314,843</u>	<u>12,691,725</u>
<b>Net Position - End of Year.....</b>				<b><u>\$ 14,158,652</u></b>	<b><u>\$ 323,817</u></b>	<b><u>\$ 14,482,469</u></b>

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

## Balance Sheet - Governmental Funds

As of June 30, 2018

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments .....	\$ 5,577,267	\$ 1,167,747	\$ 4,704,366	\$ 929,905	\$ 12,379,285
Receivables					
Property Tax, Net of Allowance					
Current year delinquent.....	43,676	11,590	5,959	3,520	64,745
Succeeding year .....	6,921,198	1,671,325	895,969	419,592	9,908,084
Accounts.....	74	—	—	2,378	2,452
Due from other funds .....	101,838	—	—	—	101,838
Due from other governments .....	1,551,857	61	187,559	19	1,739,496
Prepaid items .....	14,861	—	—	385	15,246
<b>Total Assets .....</b>	<b><u>\$ 14,210,771</u></b>	<b><u>\$ 2,850,723</u></b>	<b><u>\$ 5,793,853</u></b>	<b><u>\$ 1,355,799</u></b>	<b><u>\$ 24,211,146</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable.....	\$ 123,783	\$ —	\$ 8,097	\$ 3,452	\$ 135,332
Salaries and benefits payable.....	1,942,947	—	—	—	1,942,947
Due to other governments .....	402,717	—	—	1,645	404,362
<b>Total Liabilities .....</b>	<b><u>2,469,447</u></b>	<b><u>—</u></b>	<b><u>8,097</u></b>	<b><u>5,097</u></b>	<b><u>2,482,641</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue					
Succeeding year property tax.....	6,921,198	1,671,325	895,969	419,592	9,908,084
Income surtax.....	834,154	—	—	—	834,154
<b>Total Deferred Inflows of Resources .....</b>	<b><u>7,755,352</u></b>	<b><u>1,671,325</u></b>	<b><u>895,969</u></b>	<b><u>419,592</u></b>	<b><u>10,742,238</u></b>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items.....	14,861	—	—	385	15,246
Restricted for					
Categorical funding .....	673,147	—	—	—	673,147
Debt service.....	—	1,179,398	438,173	—	1,617,571
School infrastructure .....	—	—	3,851,404	—	3,851,404
Physical plant and equipment .....	—	—	600,210	—	600,210
Student activities .....	—	—	—	148,399	148,399
Management levy purposes .....	—	—	—	572,813	572,813
Public recreation.....	—	—	—	209,513	209,513
Assigned for					
Middle School field trips .....	3,564	—	—	—	3,564
Unassigned .....	3,294,400	—	—	—	3,294,400
<b>Total Fund Balances .....</b>	<b><u>3,985,972</u></b>	<b><u>1,179,398</u></b>	<b><u>4,889,787</u></b>	<b><u>931,110</u></b>	<b><u>10,986,267</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances...</b>	<b><u>\$ 14,210,771</u></b>	<b><u>\$ 2,850,723</u></b>	<b><u>\$ 5,793,853</u></b>	<b><u>\$ 1,355,799</u></b>	<b><u>\$ 24,211,146</u></b>

See accompanying notes to the financial statements.



## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

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As of June 30, 2018

**Total Fund Balances for Governmental Funds (Page 19)....** **\$ 10,986,267**

***Amounts reported for governmental activities in the  
statement of net position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds ..... 43,168,052

An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..... 70,290

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds..... 834,154

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (236,040)

Pension and OPEB-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:

Pension-related deferred outflows of resources.....	\$ 3,862,984	
Pension-related deferred inflows of resources .....	(470,006)	
OPEB-related deferred inflows of resources .....	<u>(25,680)</u>	3,367,298

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Unamortized underwriter's discount on bonds payable.....	\$ 174,088	
General obligation bonds .....	(19,059,000)	
Revenue bonds .....	(10,116,000)	
Deferred loss on refunding bonds.....	232,321	
Unamortized premium on bonds payable .....	(188,871)	
Early retirement.....	(135,150)	
Net pension liability .....	(13,552,221)	
Total OPEB liability .....	<u>(1,386,536)</u>	<u>(44,031,369)</u>

**Net Position of Governmental Activities (Page 17).....** **\$ 14,158,652**

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2018

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenue</b>					
Local Sources					
Local tax .....	\$ 6,998,564	\$ 1,673,794	\$ 860,630	\$ 501,952	\$ 10,034,940
Tuition .....	1,085,679	—	—	—	1,085,679
Other .....	261,437	14,895	31,025	325,731	633,088
State sources .....	15,127,113	35,288	1,952,149	10,941	17,125,491
Federal sources .....	1,063,315	—	—	—	1,063,315
<b>Total Revenue .....</b>	<b><u>24,536,108</u></b>	<b><u>1,723,977</u></b>	<b><u>2,843,804</u></b>	<b><u>838,624</u></b>	<b><u>29,942,513</u></b>
<b>Expenditures</b>					
Current					
Instruction					
Regular .....	10,679,050	—	124,064	176,541	10,979,655
Special .....	4,485,535	—	—	—	4,485,535
Other .....	961,848	—	—	323,017	1,284,865
Total Instruction .....	<u>16,126,433</u>	<u>—</u>	<u>124,064</u>	<u>499,558</u>	<u>16,750,055</u>
Support Services					
Student .....	1,062,182	—	—	—	1,062,182
Instructional staff .....	1,211,786	—	—	—	1,211,786
Administration .....	2,316,927	—	331,527	12,626	2,661,080
Operation and maintenance of plant .....	2,214,677	—	218,297	194,859	2,627,833
Transportation .....	564,640	—	159,620	13,729	737,989
Total Support Services .....	<u>7,370,212</u>	<u>—</u>	<u>709,444</u>	<u>221,214</u>	<u>8,300,870</u>
Other Expenditures					
Facilities acquisition .....	—	—	223,155	—	223,155
Long-Term Debt					
Principal .....	—	1,769,000	—	—	1,769,000
Interest and fiscal charges .....	—	976,503	—	—	976,503
AEA flowthrough .....	897,197	—	—	—	897,197
Total Other Expenditures .....	<u>897,197</u>	<u>2,745,503</u>	<u>223,155</u>	<u>—</u>	<u>3,865,855</u>
<b>Total Expenditures .....</b>	<b><u>24,393,842</u></b>	<b><u>2,745,503</u></b>	<b><u>1,056,663</u></b>	<b><u>720,772</u></b>	<b><u>28,916,780</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>142,266</u></b>	<b><u>(1,021,526)</u></b>	<b><u>1,787,141</u></b>	<b><u>117,852</u></b>	<b><u>1,025,733</u></b>
<b>Other Financing Sources (Uses)</b>					
Refunding revenue bonds issued ....	—	5,806,000	—	—	5,806,000
Payments to refunding bond escrow agent .....	—	(6,465,553)	—	—	(6,465,553)
Transfers in .....	51,889	2,166,493	296,625	—	2,515,007
Transfers out .....	—	(296,625)	(2,166,493)	—	(2,463,118)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>51,889</u></b>	<b><u>1,210,315</u></b>	<b><u>(1,869,868)</u></b>	<b><u>—</u></b>	<b><u>(607,664)</u></b>
<b>Change in Fund Balances .....</b>	<b>194,155</b>	<b>188,789</b>	<b>(82,727)</b>	<b>117,852</b>	<b>418,069</b>
Fund Balance - Beginning of Year ...	3,791,817	990,609	4,972,514	813,258	10,568,198
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 3,985,972</u></b>	<b><u>\$ 1,179,398</u></b>	<b><u>\$ 4,889,787</u></b>	<b><u>\$ 931,110</u></b>	<b><u>\$ 10,986,267</u></b>

See accompanying notes to the financial statements.

# Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2018

**Change in Fund Balances - Total Governmental Funds (Page 21) \$ 418,069**

***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. The amounts of capital outlays and depreciation expense for the year are as follows:

Expenditures for capital outlays.....	\$ 608,798	
Depreciation expense.....	<u>(1,285,015)</u>	(676,217)

Amortization of premiums and discounts on bonds payable and deferred loss of refunding bonds does not provide or use current financial resources of governmental funds but it decreases assets and liabilities in the statement of net position as follows:

Amortization of deferred loss on refunding bonds.....	\$ (23,232)	
Amortization of net discount on bonds payable .....	<u>(75,532)</u>	(98,764)

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 interest accrues, regardless of when it is due.....

88,037

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 debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position

Repayment of long-term debt.....	\$ 1,769,000	
Revenue bonds refunding bonds issued.....	(5,806,000)	
Payment to refunding bonds escrow agent.....	<u>6,465,553</u>	2,428,553

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....

(6,241)

An internal service fund is used by management to charge the costs of dental insurance to individual funds. The change in net position of the internal service fund is reported in governmental activities in the statement of activities.....

3,779

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.....

1,357,441

Some expenses 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:

Early retirement.....	\$ (57,696)	
Pension expense.....	(1,777,151)	
Total OPEB liability .....	<u>101,960</u>	<u>(1,732,887)</u>

**Change in Net Position of Governmental Activities (Page 18) \$ 1,781,770**

# Statement of Net Position - Proprietary Funds

As of June 30, 2018

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Self- Insurance</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash, cash equivalents and pooled investments .....	\$ 511,507	\$ 82,923
Accounts receivable .....	10,268	—
Inventories.....	15,201	—
Due from other governments .....	10,184	—
<b>Total Current Assets</b> .....	<b><u>547,160</u></b>	<b><u>82,923</u></b>
<b>Capital Assets, Net of Accumulated Depreciation</b> .....	<b><u>107,783</u></b>	<b><u>—</u></b>
<b>Total Assets</b> .....	<b><u>654,943</u></b>	<b><u>82,923</u></b>
<b>Deferred Outflows of Resources</b>		
Pension-related deferred outflows .....	<b><u>73,416</u></b>	<b><u>—</u></b>
<b>Total Assets and Deferred Outflows of Resources</b> .....	<b><u>\$ 728,359</u></b>	<b><u>\$ 82,923</u></b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable .....	\$ —	\$ 4,219
Salaries and benefits payable.....	6,295	—
Due to other funds.....	101,838	—
Premiums received in advance.....	—	8,414
Unearned revenue.....	15,330	—
<b>Total Current Liabilities</b> .....	<b><u>123,463</u></b>	<b><u>12,633</u></b>
<b>Noncurrent Liabilities</b>		
Net pension liability.....	247,124	—
Total OPEB liability.....	26,265	—
<b>Total Noncurrent Liabilities</b> .....	<b><u>273,389</u></b>	<b><u>—</u></b>
<b>Total Liabilities</b> .....	<b><u>396,852</u></b>	<b><u>12,633</u></b>
<b>Deferred Inflows of Resources</b>		
Pension-related deferred inflows .....	7,201	—
OPEB-related deferred inflows .....	489	—
<b>Total Deferred Inflows of Resources</b> .....	<b><u>7,690</u></b>	<b><u>—</u></b>
<b>Net Position</b>		
Net investment in capital assets .....	107,783	—
Unrestricted .....	216,034	70,290
<b>Total Net Position</b> .....	<b><u>323,817</u></b>	<b><u>70,290</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b><u>\$ 728,359</u></b>	<b><u>\$ 82,923</u></b>

See accompanying notes to the financial statements.

# Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

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Year Ended June 30, 2018

	<b>Nonmajor Enterprise School Nutrition</b>	<b>Internal Service Self- Insurance</b>
<b>Operating Revenue</b>		
Local Sources		
Charges for service .....	\$ 435,088	\$ —
Self-insurance contributions .....	—	91,698
<b>Total Operating Revenue .....</b>	<b><u>435,088</u></b>	<b><u>91,698</u></b>
<b>Operating Expenses</b>		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits .....	361,074	—
Purchased services .....	6,681	—
Supplies and other .....	485,746	—
Depreciation .....	32,445	—
Self-insurance claims and fees .....	—	87,919
<b>Total Operating Expenses .....</b>	<b><u>885,946</u></b>	<b><u>87,919</u></b>
<b>Income (Loss) From Operations .....</b>	<b><u>(450,858)</u></b>	<b><u>3,779</u></b>
<b>Nonoperating Revenue</b>		
State sources .....	6,527	—
Federal sources .....	501,768	—
Interest on investments .....	3,426	—
<b>Total Nonoperating Revenue .....</b>	<b><u>511,721</u></b>	<b><u>—</u></b>
<b>Income Before Transfers .....</b>	<b>60,863</b>	<b>3,779</b>
<b>Transfers out .....</b>	<b><u>(51,889)</u></b>	<b><u>—</u></b>
<b>Change in Net Position .....</b>	<b>8,974</b>	<b>3,779</b>
Net Position - Beginning of Year, as restated (Note 19) .....	<u>314,843</u>	<u>66,511</u>
<b>Net Position - End of Year .....</b>	<b><u>\$ 323,817</u></b>	<b><u>\$ 70,290</u></b>

See accompanying notes to the financial statements.

## Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2018

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Self- Insurance</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from sale of lunches and breakfasts.....	\$ 435,308	\$ —
Cash received from assessments made to other funds .....	—	92,272
Cash paid to employees for services .....	(355,650)	—
Cash paid to suppliers for goods and services.....	(430,619)	—
Cash paid for self-insurance claims and fees.....	—	(86,199)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>(350,961)</u></b>	<b><u>6,073</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State grants received.....	6,527	—
Federal grants received.....	440,548	—
<b>Net Cash Provided by Noncapital Financing Activities ....</b>	<b><u>447,075</u></b>	<b><u>—</u></b>
<b>Cash Flows From Investment Activities</b>		
Interest on investments .....	<u>3,426</u>	<u>—</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets.....	<u>(11,620)</u>	<u>—</u>
<b>Net Increase in Cash, Cash Equivalents and Investments</b>	<b>87,920</b>	<b>6,073</b>
Cash, Cash Equivalents and Investments - Beginning of Year .....	<u>423,587</u>	<u>76,850</u>
<b>Cash, Cash Equivalents and Investments - End of Year ..</b>	<b><u>\$ 511,507</u></b>	<b><u>\$ 82,923</u></b>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities</b>		
Income (loss) from operations.....	\$ (450,858)	\$ 3,779
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	62,097	—
Depreciation .....	32,445	—
Changes in Assets and Liabilities		
Increase in receivables .....	(4,793)	—
Decrease in inventories .....	1,674	—
Decrease in due from other funds.....	5,178	—
Decrease in due from other governments.....	505	—
Increase in pension-related deferred outflows .....	(3,361)	—
Increase (decrease) in accounts payable .....	(1,963)	1,720
Decrease in salaries and benefits payable .....	(1,854)	—
Increase in premiums received in advance.....	—	574
Decrease in unearned revenue .....	(670)	—
Decrease in total OPEB liability .....	(2,432)	—
Increase in net pension liability.....	12,438	—
Increase in pension-related deferred inflows .....	633	—
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>\$ (350,961)</u></b>	<b><u>\$ 6,073</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2018, the District received \$61,220 of federal commodities.

# Statement of Fiduciary Net Position - Fiduciary Fund

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As of June 30, 2018

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash, cash equivalents and investments .....	<u>\$ 136,024</u>
<b>Liabilities</b>	
Accounts payable .....	<u>\$ 25</u>
<b>Net Position</b>	
Reserved for scholarships .....	<u>135,999</u>
<b>Total Liabilities and Net Position</b> .....	<u>\$ 136,024</u>

# Statement of Changes in Fiduciary Net Position - Fiduciary Fund —————

Year Ended June 30, 2018

	<u>Private Purpose Trust</u> Scholarship
<b>Additions</b>	
Local Sources	
Gifts and contributions .....	<u>\$ 7,271</u>
<b>Deductions</b>	
Instruction	
Regular	
Scholarships awarded and other deductions .....	<u>12,666</u>
<b>Change in Net Position</b> .....	<b>(5,395)</b>
Net Position - Beginning of Year .....	<u>141,394</u>
<b>Net Position - End of Year</b> .....	<u><b>\$ 135,999</b></u>



# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

Boone Community School District is a political subdivision of the State of Iowa and operates a preschool and public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

### Reporting Entity

For financial reporting purposes, Boone 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

### Jointly Governed Organization

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

### Basis of Presentation

#### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities report information on all 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes: (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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

### ***Fund Financial Statements***

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

The District reports the following major governmental funds:

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

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

*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's proprietary funds are the School Nutrition Fund, an enterprise fund, used to account for the food service operations of the District and the Self-Insurance Fund, an internal service fund, used to account for the self-funded dental insurance plan operated by the District.

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

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

*The Agency Fund* is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### 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. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, 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 revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenue.

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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

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

#### ***Cash, Cash Equivalents and Pooled Investments***

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and nonnegotiable 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, have a maturity date no longer than three months.

#### ***Property Tax Receivable***

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

#### ***Due From Other Governments***

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

#### ***Inventories***

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

#### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

# Notes to the Financial Statements

## (1) Summary of Significant Accounting Policies

### **Capital Assets**

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2018. 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.

Land.....	\$ 5,000
Buildings and improvements .....	5,000
Intangibles.....	50,000
Furniture and Equipment	
School Nutrition Fund equipment .....	500
Other furniture and equipment.....	5,000

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

Buildings and improvements .....	20 - 50 Years
Intangibles.....	5 - 10 Years
Furniture and Equipment	
School Nutrition Fund equipment .....	12 Years
Other furniture and equipment.....	10 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, contributions from the District after the measurement date but before the end of the District’s reporting period and the deferred loss on refunding bonds resulting from the difference in the carrying value of refunded debt and the reacquisition price.

### **Salaries and Benefits Payable**

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

### **Unearned Revenue**

Unearned revenue represents amounts paid to the District in advance of the District providing the services for which they were paid. In the governmental funds, this amount is for prepayment of health insurance premiums. In the business-type fund, it is for student lunch account balances at year end.

### **Compensated Absences**

District employees accumulate a limited amount of earned but unused vacation and sick leave. The District’s policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District had no compensated absences liability as of June 30, 2018.

## (1) Summary of Significant Accounting Policies

### ***Long-Term Liabilities***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

### ***Pensions***

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

### ***Total OPEB Liability***

For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition 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 revenue is measurable, it is 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 represents 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 and income surtax receivable not collected within 60 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 as revenue until the year for which it is levied and unrecognized items not yet charged to pension or OPEB expense.

### ***Fund Balances***

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

**Nonspendable** - Amounts which cannot be spent because they are in nonspendable form.

**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.

**Assigned** - Amounts the Board of Education intends to use for specific purposes. It is the District's policy that the authority to assign fund balance has been delegated by the District's Board of Education to the Superintendent.

**Unassigned** - All amounts not included in the preceding classifications.

### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

## Notes to the Financial Statements

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### (2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As of June 30, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at amortized cost of \$10,474,898, pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investment. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

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

### (3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise School Nutrition	<u>\$ 101,838</u>

The School Nutrition Fund is repaying the General Fund for indirect cost recovery of expenses that the General Fund has paid on behalf of the School Nutrition Fund. All balances are to be repaid by June 30, 2019.

### (4) Interfund Transfers

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

Transfer To	Transfer From	Amount
Debt Service General Fund	Capital Projects Enterprise School Nutrition	\$ 2,166,493  51,889
Capital Projects	Debt Service	<u>296,625</u> <u>\$ 2,515,007</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## Notes to the Financial Statements

### (5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress .....	<u>—</u>	<u>70,950</u>	<u>—</u>	<u>70,950</u>
Total Capital Assets Not Being Depreciated.....	<u>319,432</u>	<u>70,950</u>	<u>—</u>	<u>390,382</u>
Capital Assets Being Depreciated				
Buildings and improvements .....	55,504,013	43,212	—	55,547,225
Furniture and equipment .....	<u>2,664,720</u>	<u>494,636</u>	<u>9,361</u>	<u>3,149,995</u>
Total Capital Assets Being Depreciated.....	<u>58,168,733</u>	<u>537,848</u>	<u>9,361</u>	<u>58,697,220</u>
Less Accumulated Depreciation for				
Buildings and improvements .....	12,607,216	1,118,503	—	13,725,719
Furniture and equipment .....	<u>2,036,680</u>	<u>166,512</u>	<u>9,361</u>	<u>2,193,831</u>
Total Accumulated Depreciation...	<u>14,643,896</u>	<u>1,285,015</u>	<u>9,361</u>	<u>15,919,550</u>
Total Capital Assets Being Depreciated, Net .....	<u>43,524,837</u>	<u>(747,167)</u>	<u>—</u>	<u>42,777,670</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net .....</b>	<b><u>\$ 43,844,269</u></b>	<b><u>\$ (676,217)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 43,168,052</u></b>
<b>Business-Type Activities</b>				
Furniture and equipment .....	\$ 474,484	\$ 11,620	\$ —	\$ 486,104
Less accumulated depreciation .....	<u>345,876</u>	<u>32,445</u>	<u>—</u>	<u>378,321</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net .....</b>	<b><u>\$ 128,608</u></b>	<b><u>\$ (20,825)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 107,783</u></b>

Depreciation expense was charged to the following functions:

<b>Governmental Activities</b>	
Instruction	
Regular .....	\$ 1,069,143
Other.....	34,866
Support Services	
Administration .....	24,027
Operation and maintenance of plant .....	75,464
Transportation.....	66,091
Subtotal.....	1,269,591
Unallocated .....	15,424
<b>Total Depreciation Expense - Governmental Activities .....</b>	<b><u>\$ 1,285,015</u></b>
<b>Business-Type Activities</b>	
Food Service Operations.....	<b><u>\$ 32,445</u></b>



## Notes to the Financial Statements

### (6) Long-Term Liabilities

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

Governmental Activities	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds	\$ 20,138,000	\$ —	\$ 1,079,000	\$ 19,059,000	\$ 1,109,000
Revenue bonds .....	11,210,000	5,806,000	6,900,000	10,116,000	923,000
Unamortized premium on bonds payable	218,887	—	30,016	188,871	19,808
Early retirement .....	77,454	135,150	77,454	135,150	135,150
Net pension liability, as restated .....	12,897,898	654,323	—	13,552,221	—
Total OPEB liability	1,514,176	—	127,640	1,386,536	—
<b>Total .....</b>	<b>\$ 46,056,415</b>	<b>\$ 6,595,473</b>	<b>\$ 8,214,110</b>	<b>\$ 44,437,778</b>	<b>\$ 2,186,958</b>
<b>Business-Type Activities</b>					
Net pension liability, as restated .....	\$ 234,686	\$ 12,438	\$ —	\$ 247,124	\$ —
Net OPEB liability ...	28,697	—	2,432	26,265	—
<b>Total .....</b>	<b>\$ 263,383</b>	<b>\$ 12,438</b>	<b>\$ 2,432</b>	<b>\$ 273,389</b>	<b>\$ —</b>

### General Obligation Bonds

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

	Bonds Issued December 22, 2009			Bonds Issued May 1, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019 .....	4.00%	\$ 610,000	\$ 131,600	2.00%	\$ 100,000	\$ 263,287
2020 .....	4.00	635,000	107,200	2.00	100,000	261,288
2021 .....	4.00	655,000	81,800	2.25	100,000	259,287
2022 .....	4.00	680,000	55,600	2.25	100,000	257,038
2023 .....	4.00	710,000	28,400	2.50	100,000	254,787
2024-2028 .....	—	—	—	2.50 - 3.00	3,750,000	1,101,437
2029-2032 .....	—	—	—	3.00 - 3.25	4,565,000	384,948
<b>Total .....</b>		<b>\$ 3,290,000</b>	<b>\$ 404,600</b>		<b>\$ 8,815,000</b>	<b>\$ 2,782,072</b>
	Bonds Issued May 1, 2013			Bonds Issued August 13, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019 .....	2.00%	\$ 265,000	\$ 126,158	2.48%	\$ 134,000	\$ 39,779
2020 .....	2.00	275,000	120,858	2.48	135,000	36,456
2021 .....	2.00	280,000	115,357	2.48	144,000	33,108
2022 .....	2.00	295,000	109,757	2.48	143,000	29,537
2023 .....	2.00	295,000	103,857	2.48	147,000	25,990
2024-2028 .....	2.00 - 2.50	2,230,000	406,591	2.48	901,000	22,345
2029-2032 .....	2.75 - 3.00	1,710,000	111,787	—	—	—
<b>Total .....</b>		<b>\$ 5,350,000</b>	<b>\$ 1,094,365</b>		<b>\$ 1,604,000</b>	<b>\$ 187,215</b>
<b>Total</b>						
	Principal	Interest				
2019 .....	\$ 1,109,000	\$ 560,824				
2020 .....	1,145,000	525,802				
2021 .....	1,179,000	489,552				
2022 .....	1,218,000	451,932				
2023 .....	1,252,000	413,034				
2024-2028 .....	6,881,000	1,530,373				
2029-2032 .....	6,275,000	496,735				
<b>Total .....</b>	<b>\$ 19,059,000</b>	<b>\$ 4,468,252</b>				

## Notes to the Financial Statements

### (6) Long-Term Liabilities

#### Revenue Bonds

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

June 30,	Bonds Issued December 1, 2011			Bonds Issued November 28, 2017			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2019 .....	2.25%	\$ 310,000	\$ 120,885	2.34%	\$ 613,000	\$ 141,142	\$ 923,000	\$ 262,027
2020 .....	2.25	320,000	113,798	2.34	562,000	114,941	882,000	228,739
2021 .....	2.25	325,000	106,541	2.34	—	108,365	325,000	214,906
2022 .....	2.40	335,000	98,865	2.34	175,000	106,318	510,000	205,183
2023 .....	2.60	340,000	90,425	2.34	588,000	97,391	928,000	187,816
2024-2028	2.75 -3.35	1,855,000	296,525	2.34	3,183,000	270,258	5,038,000	566,783
2029-2030	3.45 -3.55	825,000	29,351	2.34	685,000	8,015	1,510,000	37,366
<b>Total.....</b>		<b><u>\$ 4,310,000</u></b>	<b><u>\$ 856,390</u></b>		<b><u>\$ 5,806,000</u></b>	<b><u>\$ 846,430</u></b>	<b><u>\$ 10,116,000</u></b>	<b><u>\$ 1,702,820</u></b>

The revenue refunding bonds issued in November, 2017 were used to advance refund revenue bonds issued in August, 2009. The District approved a refunding trust agreement with its refunding trustee which required the District to transfer cash of \$6,465,553 which had been collected through a property tax levy and issue \$5,806,000 of revenue refunding bonds. The trustee agreed to accept the cash and bond proceeds, invest the funds and call and retire debt principal plus interest. At closing, \$5,806,000 of bond proceeds and \$6,465,553 of District cash was wire transferred directly to the refunding trust to purchase direct obligations of the United States Government which will mature at such times, and at such amounts, including investment income therefrom, as will be sufficient to pay all of the principal and interest on the previously issued revenue bonds. The refunding will save the District \$957,451 of debt service expense over the life of the bonds and resulted in an economic gain of \$906,372.

The District has pledged future statewide sales, services and use tax revenue to repay the \$11,586,000 of bonds issued in December, 2011 and November, 2017. The bonds were issued for the purpose of financing a portion of the costs of an addition at the Middle School, an addition and remodeling at Franklin Elementary and additions and renovations at Boone High School, or to advance refund bonds originally used for these purposes. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July, 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 58% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$11,818,820. For the current year, principal of \$690,000 and interest of \$287,142 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,934,004.

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

- (a) For the Series 2011 bonds, \$438,173 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all the revenue bond provisions during the year ended June 30, 2018.

# Notes to the Financial Statements

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## (7) Operating Leases

The District leases several copiers with terms of four years. The District also leases facilities within the area to house its home school. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2018.

<b>Year Ending June 30,</b>	
2019 .....	<b><u>\$ 12,780</u></b>

Total rental expenditures for the year ended June 30, 2018 for all operating leases, except those with terms of a month or less that were not renewed, were \$25,560.

## (8) Pension and Retirement Benefits

### 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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

### Pension Benefits

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

### **(8) Pension and Retirement Benefits**

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 starting 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 one 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 2018, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 were \$1,382,001.

#### **Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2018, the District reported a liability of \$13,799,345 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2017, the District's proportion was 0.207158% which was a decrease of 0.001517% from its proportion measured as of June 30, 2016.

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

For the year ended June 30, 2018, the District recognized pension expense of \$1,810,932. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience .....	\$ 126,691	\$ 119,561
Changes of assumptions .....	2,397,690	—
Net difference between projected and actual earnings on IPERS' investments .....	—	144,129
Changes in proportion and differences between District contributions and proportionate share of contributions .....	30,018	213,517
District contributions subsequent to the measurement date .....	<u>1,382,001</u>	<u>—</u>
<b>Total</b> .....	<b><u>\$ 3,936,400</u></b>	<b><u>\$ 477,207</u></b>

\$1,382,001 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year Ending June 30,

2019 .....	\$ 247,689
2020 .....	1,000,952
2021 .....	610,475
2022 .....	59,427
2023 .....	<u>158,649</u>
<b>Total</b> .....	<b><u>\$ 2,077,192</u></b>

There were no nonemployer contributing entities to IPERS.

#### Actuarial Assumptions

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

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

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

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

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	24.0%	6.25%
International Equity	16.0	6.71
Core Plus Fixed Income	27.0	2.25
Public Credit	3.5	3.46
Public Real Assets	7.0	3.27
Cash	1.0	(0.31)
Private Equity	11.0	11.15
Private Real Assets	7.5	4.18
Private Credit	3.0	4.25
<b>Total</b>	<u><b>100.0%</b></u>	

#### Discount Rate

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

#### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$22,735,785	\$13,799,345	\$6,291,019

#### Pension Plan 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).

# Notes to the Financial Statements

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## (8) Pension and Retirement Benefits

### Payables to the Pension Plan

As of June 30, 2018, the District reported payables to the defined benefit pension plan of \$107,448 for legally required employer contributions and \$71,592 for legally required employee contributions withheld from employee wages but not yet remitted to IPERS.

## (9) Other Postemployment Benefits (OPEB)

### Plan Description

The District operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

### OPEB Benefits

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

Retired participants must be age 55 or older at retirement.

Inactive employees or beneficiaries currently receiving benefit payments .....	23
Active employees .....	<u>278</u>
<b>Total</b> .....	<u><b>301</b></u>

### Total OPEB Liability

The District's total OPEB liability of \$1,412,801 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

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

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.50% per year, including inflation, plus merit/productivity increases.
Discount rate (effective June 30, 2018)	3.87% compounded annually.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing by 0.50% annually to an ultimate rate of 4.50%.

### Discount Rate

The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

Mortality rates are from the RP-2014 generational table, scaled using MP-17. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

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

#### Changes in Total OPEB Liability

	<b>Total OPEB Liability</b>
Total OPEB Liability - Beginning of Year, as Restated.....	<u>\$ 1,542,873</u>
Changes for the Year	
Service cost .....	112,872
Interest.....	58,795
Differences between expected and actual experience.....	—
Changes of assumptions.....	(28,480)
Benefit payments .....	<u>(273,259)</u>
Net Changes .....	<u>(130,072)</u>
<b>Total OPEB Liability - End of Year .....</b>	<b><u>\$ 1,412,801</u></b>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

#### Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate. These amounts are rounded to the nearest thousand.

	<b>1% Decrease (2.87%)</b>	<b>Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Total OPEB liability.....	\$1,320,000	\$1,413,000	\$1,514,000

#### Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rate. These amounts are rounded to the nearest thousand.

	<b>1% Decrease (6.00%)</b>	<b>Healthcare Cost Trend Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Total OPEB liability.....	\$1,320,000	\$1,413,000	\$1,514,000



## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

#### OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$169,356. As of June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience .....	\$ —
Changes of assumptions .....	26,169
<b>Total</b> .....	<b><u>\$ 26,169</u></b>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019 .....	\$ (2,311)
2020 .....	(2,311)
2021 .....	(2,311)
2022 .....	(2,311)
2023 .....	(2,311)
Thereafter.....	(14,614)
<b>Total</b> .....	<b><u>\$ (26,169)</u></b>

### (10) Risk Management

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

### (11) Area Education Agency Support

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 \$897,197 for the year ended June 30, 2018, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## Notes to the Financial Statements

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### (12) Early Retirement

The District offered a voluntary early retirement plan to its employees during the year ended June 30, 2018. Eligible employees must have completed at least 15 years of full-time service to the District as a licensed employee and must have reached age 55 by the start of the following school year. The employee must also meet the "rule of 74" by the start of the following school year. The "rule of 74" is met when the employee's age plus years of service as a licensed employee in the District equal at least 74. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits are equal to 20% of the employee's regular contractual salary in effect during the employee's last year of regular employment with a maximum benefit of \$15,000. As of June 30, 2018, the District has obligations to ten participants with a total liability of \$135,150. The benefits are scheduled to be paid in January, 2019.

### (13) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2018 was approximately \$1,646,467.

### (14) Employee Dental Plan

The District currently sponsors a self-funded dental plan. Under this plan, employees contribute a portion of their compensation and retirees and COBRA participants contribute the total cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

The following is a summary of the claims activity for the year ended June 30, 2018:

Estimated claims incurred but not reported - June 30, 2017 .....	\$ 2,499
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2018.....	89,639
Claims paid during the year ended June 30, 2018.....	<u>(87,919)</u>
<b>Estimated Claims Incurred But Not Reported - June 30, 2018 .....</b>	<b><u>\$ 4,219</u></b>

## Notes to the Financial Statements

### (15) Categorical Funding

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

The following is a detail of the categorical funding restricted in the General Fund as of June 30, 2018:

Program	Amount
Home school assistance program.....	\$ 59,876
Gifted and talented program .....	201,670
Returning dropout and dropout prevention program .....	55,677
Statewide voluntary four-year-old preschool program.....	147,788
Teacher salary supplement .....	20,701
Textbook aid for nonpublic students .....	4,829
Successful progression for early readers.....	23,907
Educator quality, professional development .....	15,471
Teacher leadership grant.....	73,228
Flexibility funds account .....	70,000
<b>Total .....</b>	<b><u>\$ 673,147</u></b>

### (16) Tax Abatements

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

#### Tax Abatements of Other Entities

Property tax revenue of the District were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Boone	Urban Revitalization	\$ 110,204
Boone County	Urban Revitalization	19,194

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, the District received no material reimbursement.

## Notes to the Financial Statements

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### (17) Construction Commitment

The District entered into a contract totaling \$80,320 for the installation of new windows at Franklin Elementary. As of June 30, 2018, costs of \$70,950 had been incurred against the project. The balance of \$9,370 remaining as of June 30, 2018 will be paid as work on the project progresses.

### (18) Subsequent Events

Management has evaluated events through November 28, 2018, the date which the financial statements were available to be issued.

### (19) Accounting Change/Restatement

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

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Net position June 30, 2017, as previously reported .....	\$ 13,478,058	\$ 343,540
Net OPEB obligation measured under previous standards .....	413,000	—
Total OPEB liability as of June 30, 2018.....	<u>(1,514,176)</u>	<u>(28,697)</u>
<b>Net Position July 1, 2017, as Restated</b> .....	<b><u>\$ 12,376,882</u></b>	<b><u>\$ 314,843</u></b>

**Required Supplementary Information**

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# Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

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Year Ended June 30, 2018

	Actual			Budgeted Amounts		Over (Under) Budget
	Govern- mental Funds	Proprietary Fund	Total	Original	Final	
<b>Revenue</b>						
Local sources .....	\$ 11,753,707	\$ 438,514	\$ 12,192,221	\$ 11,925,211	\$ 11,925,211	\$ 267,010
State sources .....	17,125,491	6,527	17,132,018	17,368,498	17,368,498	(236,480)
Federal sources .....	<u>1,063,315</u>	<u>501,768</u>	<u>1,565,083</u>	<u>1,455,000</u>	<u>1,455,000</u>	<u>110,083</u>
<b>Total Revenue.....</b>	<b><u>29,942,513</u></b>	<b><u>946,809</u></b>	<b><u>30,889,322</u></b>	<b><u>30,748,709</u></b>	<b><u>30,748,709</u></b>	<b><u>140,613</u></b>
<b>Expenditures/Expenses</b>						
Instruction.....	16,750,055	—	16,750,055	17,308,500	17,500,000	(749,945)
Support services .....	8,300,870	—	8,300,870	8,273,500	8,350,000	(49,130)
Noninstructional programs .....	—	885,946	885,946	960,000	960,000	(74,054)
Other expenditures.....	<u>3,865,855</u>	<u>—</u>	<u>3,865,855</u>	<u>4,211,101</u>	<u>10,670,000</u>	<u>(6,804,145)</u>
<b>Total Expenditures/ Expenses .....</b>	<b><u>28,916,780</u></b>	<b><u>885,946</u></b>	<b><u>29,802,726</u></b>	<b><u>30,753,101</u></b>	<b><u>37,480,000</u></b>	<b><u>(7,677,274)</u></b>
<b>Revenue Over (Under) Expenditures/Expenses....</b>	<b>1,025,733</b>	<b>60,863</b>	<b>1,086,596</b>	<b>(4,392)</b>	<b>(6,731,291)</b>	<b>7,817,887</b>
<b>Other Financing Sources (Uses), Net.....</b>	<b><u>(607,664)</u></b>	<b><u>(51,889)</u></b>	<b><u>(659,553)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(659,553)</u></b>
<b>Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses and Other Financing Uses.....</b>	<b>418,069</b>	<b>8,974</b>	<b>427,043</b>	<b>(4,392)</b>	<b>(6,731,291)</b>	<b><u>\$ 7,158,334</u></b>
Balance - Beginning of Year ...	<u>10,568,198</u>	<u>314,843</u>	<u>10,883,041</u>	<u>10,057,002</u>	<u>10,057,002</u>	
<b>Balance - End of Year .....</b>	<b><u>\$ 10,986,267</u></b>	<b><u>\$ 323,817</u></b>	<b><u>\$ 11,310,084</u></b>	<b><u>\$ 10,052,610</u></b>	<b><u>\$ 3,325,711</u></b>	

## Notes to Required Supplementary Information - Budgetary Reporting ---

Year Ended June 30, 2018

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$191,500 in the instruction function, \$76,500 in the support services function and \$6,458,899 in the other expenditures function.

During the year ended June 30, 2018, expenditures did not exceed budgeted amounts and the District did not exceed its General Fund unspent authorized budget.

# Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Four Years\*

	2018	2017	2016	2015
District's proportion of the net pension liability .....	0.207158%	0.208675%	0.209416%	0.213979%
District's proportionate share of the liability .....	\$13,799,345	\$13,132,584	\$10,411,022	\$8,659,898
District's covered-employee payroll .....	\$15,458,000	\$14,989,000	\$14,287,000	\$14,281,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	89.27%	87.61%	72.87%	60.64%
Plan fiduciary net position as a percentage of the total pension liability.....	82.21%	81.82%	85.19%	87.61%

\* The amounts presented for each fiscal year were determined as of June 30 of the preceding year.



**Schedule of Contributions**  
**Iowa Public Employees' Retirement System**

Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions .....	\$ 1,382,001	\$ 1,380,407	\$ 1,338,506	\$ 1,275,793	\$ 1,275,250	\$ 1,218,190	\$ 1,138,700	\$ 957,168	\$ 915,530	\$ 846,909
Contributions in relation to the statutorily required contributions.....	<u>(1,382,001)</u>	<u>(1,380,407)</u>	<u>(1,338,506)</u>	<u>(1,275,793)</u>	<u>(1,275,250)</u>	<u>(1,218,190)</u>	<u>(1,138,700)</u>	<u>(957,168)</u>	<u>(915,530)</u>	<u>(846,909)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll .....	\$ 15,476,000	\$ 15,458,000	\$ 14,989,000	\$ 14,287,000	\$ 14,281,000	\$ 14,051,000	\$ 14,128,000	\$ 13,772,000	\$ 13,767,000	\$ 13,337,000
Contributions as a percentage of covered-employee payroll .....	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%

## Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2018

### Changes of Benefit Terms

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

### Changes of Assumptions

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded actuarial liability (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.

## Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes

---

For the Current Year

	<b>2017</b>
Service cost.....	\$ 112,872
Interest.....	58,795
Differences between expected and actual experience.....	—
Changes of assumptions.....	(28,480)
Benefit payments.....	<u>(273,259)</u>
Net Change in Total OPEB Liability.....	(130,072)
Total OPEB Liability - Beginning of Year, as Restated.....	<u>1,542,873</u>
<b>Total OPEB Liability - End of Year .....</b>	<b><u>\$ 1,412,801</u></b>
<b>Covered-Employee Payroll .....</b>	<b>\$ 16,646,426</b>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll .....</b>	<b>8.49%</b>

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

#### Changes of Benefit Terms

There were no significant changes in benefit terms.

#### Changes of Assumptions

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

Year ended June 30, 2018: 3.87%

Year ended June 30, 2017: 3.58%

**Supplementary Information**

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# Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2018

	<u>Special Revenue</u>			Total
	Student Activity	Management Levy	Public Edu- cation and Recreation Levy	
<b>Assets</b>				
Cash, cash equivalents and pooled investments .....	\$ 151,118	\$ 569,749	\$ 209,038	\$ 929,905
Receivables				
Property Tax, Net of Allowance				
Current year delinquent .....	—	3,048	472	3,520
Succeeding year.....	—	350,000	69,592	419,592
Accounts .....	2,378	—	—	2,378
Due from other governments .....	—	16	3	19
Prepaid items .....	<u>385</u>	<u>—</u>	<u>—</u>	<u>385</u>
<b>Total Assets .....</b>	<b><u>\$ 153,881</u></b>	<b><u>\$ 922,813</u></b>	<b><u>\$ 279,105</u></b>	<b><u>\$ 1,355,799</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 3,452	\$ —	\$ —	\$ 3,452
Due to other governments .....	<u>1,645</u>	<u>—</u>	<u>—</u>	<u>1,645</u>
<b>Total Liabilities .....</b>	<b><u>5,097</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>5,097</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue				
Succeeding year property tax.....	<u>—</u>	<u>350,000</u>	<u>69,592</u>	<u>419,592</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items .....	385	—	—	385
Restricted for				
Student activities.....	148,399	—	—	148,399
Management levy.....	—	572,813	—	572,813
Public recreation .....	<u>—</u>	<u>—</u>	209,513	209,513
<b>Total Fund Balances .....</b>	<b><u>148,784</u></b>	<b><u>572,813</u></b>	<b><u>209,513</u></b>	<b><u>931,110</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances ...</b>	<b><u>\$ 153,881</u></b>	<b><u>\$ 922,813</u></b>	<b><u>\$ 279,105</u></b>	<b><u>\$ 1,355,799</u></b>

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue			Total
	Student Activity	Management Levy	Public Education and Recreation Levy	
<b>Revenue</b>				
Local Sources				
Local tax .....	\$ —	\$ 434,680	\$ 67,272	\$ 501,952
Other.....	297,167	28,564	—	325,731
State sources .....	—	9,475	1,466	10,941
<b>Total Revenue.....</b>	<b><u>297,167</u></b>	<b><u>472,719</u></b>	<b><u>68,738</u></b>	<b><u>838,624</u></b>
<b>Expenditures</b>				
Current				
Instruction				
Regular.....	—	176,541	—	176,541
Other .....	<u>323,017</u>	<u>—</u>	<u>—</u>	<u>323,017</u>
Total Instruction.....	<u>323,017</u>	<u>176,541</u>	<u>—</u>	<u>499,558</u>
Support Services				
Administration.....	—	12,626	—	12,626
Operation and maintenance				
of plant .....	11,976	182,883	—	194,859
Transportation .....	<u>—</u>	<u>13,729</u>	<u>—</u>	<u>13,729</u>
Total Support Services .....	<u>11,976</u>	<u>209,238</u>	<u>—</u>	<u>221,214</u>
<b>Total Expenditures .....</b>	<b><u>334,993</u></b>	<b><u>385,779</u></b>	<b><u>—</u></b>	<b><u>720,772</u></b>
<b>Change in Fund Balances.....</b>	<b>(37,826)</b>	<b>86,940</b>	<b>68,738</b>	<b>117,852</b>
Fund Balances - Beginning of Year ...	<u>186,610</u>	<u>485,873</u>	<u>140,775</u>	<u>813,258</u>
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 148,784</u></b>	<b><u>\$ 572,813</u></b>	<b><u>\$ 209,513</u></b>	<b><u>\$ 931,110</u></b>

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2018

Account	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Activity Revenue.....	\$ 34,160	\$ 115,942	\$ —	\$ (135,644)	\$ 14,458
Band Uniforms.....	455	—	961	506	—
Cheerleading.....	16,387	4,295	5,917	—	14,765
Drill Team.....	10,975	3,634	2,960	—	11,649
Basketball.....	928	1,795	13,700	12,147	1,170
State-Sponsored Tournament	—	5,115	11,520	6,405	—
Football.....	3,953	13,028	44,816	30,501	2,666
Baseball.....	—	1,492	8,095	6,603	—
Boys Track.....	—	—	5,858	5,858	—
Boys Cross Country.....	—	—	587	587	—
Boys Soccer.....	—	—	2,999	2,999	—
Boys Tennis.....	—	2,072	3,452	1,380	—
Boys Golf.....	1,480	—	971	—	509
Boys Swimming.....	—	263	10,031	9,768	—
Wrestling.....	1,283	798	5,904	3,823	—
Girls Basketball.....	171	6,029	9,948	3,919	171
Volleyball.....	2,773	1,640	5,931	3,660	2,142
Softball.....	—	580	4,667	4,087	—
Girls Track.....	—	265	5,648	5,383	—
Girls Cross Country.....	2,188	—	562	—	1,626
Girls Soccer.....	—	2,542	4,190	1,648	—
Girls Tennis.....	1,099	1,800	2,990	91	—
Girls Swimming.....	887	1,050	8,798	6,861	—
Athletic Miscellaneous.....	—	4,833	18,361	13,528	—
Lift-A-Thon Fund.....	84	—	—	—	84
Pride Club Fund.....	2,563	—	—	—	2,563
FCCLA.....	137	623	786	26	—
FFA.....	18,008	28,483	33,088	170	13,573
Foreign Language Club.....	5,381	2,454	2,422	—	5,413
Chess Club.....	159	—	—	—	159
Thespian Club.....	2,216	3,585	666	—	5,135
Peer Helpers.....	2,062	—	—	—	2,062
National Honor Society.....	828	380	1,295	87	—
Student Council.....	24,853	9,088	15,942	—	17,999
Student Congress.....	2,582	2,048	2,365	—	2,265
SADD High School.....	229	—	—	—	229

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2018

Account	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
SADD Middle School .....	\$ 12	\$ —	\$ —	\$ —	\$ 12
HS Year Book.....	11,375	2,170	2,956	—	10,589
Spotlight .....	125	—	—	—	125
Middle School Year Book .....	3,312	5,090	5,343	—	3,059
Drama .....	—	—	10,329	10,329	—
Speech.....	1,553	653	2,971	765	—
Prom .....	9,588	13,007	16,690	—	5,905
DECA .....	—	4,199	3,675	—	524
Construction .....	2,144	—	—	—	2,144
MS Art IA Soybean Assoc. ....	284	—	—	—	284
Futures.....	505	—	—	—	505
MS Vocal Music.....	4,769	3,892	2,651	—	6,010
MS Band .....	5,106	19,903	17,853	—	7,156
HS Instrumental Music .....	—	2,924	3,344	420	—
Orchestra .....	2,522	3,892	3,027	—	3,387
Red Cross .....	—	—	1,006	1,006	—
HS Vocal Music .....	—	20,318	23,405	3,087	—
MS Outdoor Working Lab .....	614	—	—	—	614
TAG Fundraising .....	4,804	459	368	—	4,895
TSA High School .....	1,666	3,260	2,321	—	2,605
TSA Middle School.....	2,390	3,566	3,624	—	2,332
	<b><u>\$ 186,610</u></b>	<b><u>\$ 297,167</u></b>	<b><u>\$ 334,993</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 148,784</u></b>



# Combining Balance Sheet - Capital Projects Fund Accounts

As of June 30, 2018

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
<b>Assets</b>			
Cash, cash equivalents and pooled investments.....	\$ 4,103,550	\$ 600,816	\$ 4,704,366
Receivables			
Property Tax, Net of Allowance			
Current year delinquent .....	—	5,959	5,959
Succeeding year.....	—	895,969	895,969
Due from other governments .....	<u>187,527</u>	<u>32</u>	<u>187,559</u>
<b>Total Assets .....</b>	<b><u>\$ 4,291,077</u></b>	<b><u>\$ 1,502,776</u></b>	<b><u>\$ 5,793,853</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable .....	<u>\$ 1,500</u>	<u>\$ 6,597</u>	<u>\$ 8,097</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue			
Succeeding year property tax.....	<u>—</u>	<u>895,969</u>	<u>895,969</u>
<b>Fund Balances</b>			
Restricted for			
Debt Service .....	438,173	—	438,173
School infrastructure .....	3,851,404	—	3,851,404
Physical plant and equipment .....	<u>—</u>	<u>600,210</u>	<u>600,210</u>
<b>Total Fund Balances .....</b>	<b><u>4,289,577</u></b>	<b><u>600,210</u></b>	<b><u>4,889,787</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b><u>\$ 4,291,077</u></b>	<b><u>\$ 1,502,776</u></b>	<b><u>\$ 5,793,853</u></b>

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Fund Accounts

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Year Ended June 30, 2018

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
<b>Revenue</b>			
Local Sources			
Local tax .....	\$ —	\$ 860,630	\$ 860,630
Other .....	28,071	2,954	31,025
State sources .....	<u>1,934,005</u>	<u>18,144</u>	<u>1,952,149</u>
<b>Total Revenue</b> .....	<b><u>1,962,076</u></b>	<b><u>881,728</u></b>	<b><u>2,843,804</u></b>
<b>Expenditures</b>			
Current			
Instruction			
Regular.....	<u>—</u>	<u>124,064</u>	<u>124,064</u>
Support Services			
Administration.....	—	331,527	331,527
Operation and maintenance of plant.....	1,500	216,797	218,297
Transportation .....	<u>—</u>	<u>159,620</u>	<u>159,620</u>
Total Support Services.....	<u>1,500</u>	<u>707,944</u>	<u>709,444</u>
Other Expenditures			
Facilities acquisition .....	<u>11,097</u>	<u>212,058</u>	<u>223,155</u>
<b>Total Expenditures</b> .....	<b><u>12,597</u></b>	<b><u>1,044,066</u></b>	<b><u>1,056,663</u></b>
<b>Revenue Over (Under) Expenditures</b> .....	<b><u>1,949,479</u></b>	<b><u>(162,338)</u></b>	<b><u>1,787,141</u></b>
<b>Other Financing Sources (Uses)</b>			
Transfers in .....	296,625	—	296,625
Transfers out .....	<u>(2,166,493)</u>	<u>—</u>	<u>(2,166,493)</u>
<b>Total Other Financing Uses</b> .....	<b><u>(1,869,868)</u></b>	<b><u>—</u></b>	<b><u>(1,869,868)</u></b>
<b>Change in Fund Balances</b> .....	<b>79,611</b>	<b>(162,338)</b>	<b>(82,727)</b>
Fund Balances - Beginning of Year .....	<u>4,209,966</u>	<u>762,548</u>	<u>4,972,514</u>
<b>Fund Balances - End of Year</b> .....	<b><u>\$ 4,289,577</u></b>	<b><u>\$ 600,210</u></b>	<b><u>\$ 4,889,787</u></b>

# Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund —————

Year Ended June 30, 2018

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
<b>Assets</b>				
Due from other governments .....	<u>\$ 38,836</u>	<u>\$ 130</u>	<u>\$ 38,836</u>	<u>\$ 130</u>
<b>Liabilities</b>				
Due to other governments .....	<u>\$ 38,836</u>	<u>\$ 130</u>	<u>\$ 38,836</u>	<u>\$ 130</u>

**Schedule of Revenue by Source and Expenditures by Function -  
All Governmental Fund Types (Modified Accrual Basis)**

Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenue</b>										
Local Sources										
Local tax .....	\$ 10,034,940	\$ 9,468,828	\$ 9,369,597	\$ 9,210,341	\$ 8,604,196	\$ 10,127,882	\$ 9,596,477	\$ 10,392,406	\$ 9,873,755	\$ 9,362,981
Tuition.....	1,085,679	885,431	881,852	1,067,145	982,042	1,038,871	1,111,715	1,237,200	1,267,917	1,874,517
Other.....	633,088	605,221	606,218	815,251	574,851	549,572	533,320	700,085	577,374	765,287
Intermediate sources .....	—	—	—	—	—	—	—	—	—	7,854
State sources .....	17,125,491	17,168,695	16,804,118	16,473,564	16,058,945	13,666,242	13,339,042	12,165,691	10,728,876	11,915,314
Federal sources.....	<u>1,063,315</u>	<u>1,181,395</u>	<u>1,032,755</u>	<u>855,529</u>	<u>917,228</u>	<u>905,325</u>	<u>1,189,553</u>	<u>1,514,165</u>	<u>1,915,190</u>	<u>915,172</u>
<b>Total .....</b>	<b><u>\$ 29,942,513</u></b>	<b><u>\$ 29,309,570</u></b>	<b><u>\$ 28,694,540</u></b>	<b><u>\$ 28,421,830</u></b>	<b><u>\$ 27,137,262</u></b>	<b><u>\$ 26,287,892</u></b>	<b><u>\$ 25,770,107</u></b>	<b><u>\$ 26,009,547</u></b>	<b><u>\$ 24,363,112</u></b>	<b><u>\$ 24,841,125</u></b>
<b>Expenditures</b>										
Instruction										
Regular .....	\$ 10,979,655	\$ 10,987,678	\$ 9,709,026	\$ 9,939,239	\$ 10,010,541	\$ 9,457,385	\$ 9,823,819	\$ 9,540,488	\$ 9,502,631	\$ 9,880,039
Special.....	4,485,535	4,763,946	5,138,435	4,880,120	4,825,084	4,502,564	4,409,852	4,405,512	4,050,504	3,936,127
Other.....	1,284,865	1,210,974	1,192,499	1,182,482	1,187,045	1,227,645	1,271,201	1,259,385	1,197,671	1,154,045
Support Services										
Student .....	1,062,182	1,103,856	1,042,600	933,646	846,598	808,652	797,286	678,451	694,099	676,150
Instructional staff.....	1,211,786	1,209,055	1,225,909	569,245	519,362	507,891	558,828	545,149	443,099	453,867
Administration .....	2,661,080	2,531,868	2,621,696	2,487,058	2,744,732	2,595,791	2,490,293	2,290,327	2,334,310	2,336,282
Operation and maintenance of plant .....	2,627,833	2,521,838	2,571,520	2,452,771	2,650,225	2,437,464	2,481,170	2,400,908	2,202,933	2,056,123
Transportation.....	737,989	530,208	713,018	510,498	536,850	644,072	567,965	670,145	551,206	481,531
Other Expenditures										
Facilities acquisition .....	223,155	1,000,077	1,842,508	6,388,668	9,513,826	5,465,643	963,873	2,044,080	6,223,372	735,377
Long-Term Debt										
Principal .....	1,769,000	1,733,000	3,668,000	1,410,000	1,400,000	1,650,000	940,000	790,000	5,545,000	755,000
Interest and other charges.....	976,503	1,093,135	1,176,788	1,182,015	1,211,815	1,157,791	784,980	831,644	633,442	457,960
AEA flowthrough .....	<u>897,197</u>	<u>875,232</u>	<u>887,540</u>	<u>889,274</u>	<u>861,617</u>	<u>820,628</u>	<u>789,158</u>	<u>848,939</u>	<u>839,131</u>	<u>774,946</u>
<b>Total .....</b>	<b><u>\$ 28,916,780</u></b>	<b><u>\$ 29,560,867</u></b>	<b><u>\$ 31,789,539</u></b>	<b><u>\$ 32,825,016</u></b>	<b><u>\$ 36,307,695</u></b>	<b><u>\$ 31,275,526</u></b>	<b><u>\$ 25,878,425</u></b>	<b><u>\$ 26,305,028</u></b>	<b><u>\$ 34,217,398</u></b>	<b><u>\$ 23,697,447</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>Indirect</b>				
<b>U.S. Department of Agriculture</b>				
Pass-Through From Iowa Department of Education				
Child Nutrition Cluster				
School Breakfast Program .....	10.553	FY 18	\$ —	\$ 67,654
National School Lunch Program...	10.555*	FY 18	—	417,950
Summer Food Service Program for Children.....	10.559	FY 18	—	<u>10,184</u>
<b>Total U.S. Department             of Agriculture.....</b>			<u>—</u>	<u><b>495,788</b></u>
<b>U.S. Department of Labor</b>				
Pass-Through From University of Northern Iowa				
Apprenticeship USA Grants.....	17.285	FY 18	—	<u><b>7,834</b></u>
<b>U.S. Department of Education</b>				
Pass-Through From Heartland Area Education Agency				
Special Education - Grants to States.....	84.027	FY 18	—	<u>104,909</u>
Pass-Through From Iowa Department of Education				
Title I Grants to Local Educational Agencies .....	84.010	FY 18	—	<u>327,443</u>
Career and Technical Education - Basic Grants to States .....	84.048	FY 18	—	<u>24,037</u>
Supporting Effective Instruction State Grant .....	84.367	FY 18	—	<u>50,012</u>
Cooperative Program for Youth with Disabilities in Transportation to Competitive Employment .....	84.126	FY 18	—	<u>54,915</u>
Total Pass-Through From Iowa Department of Education.....			—	<u>456,407</u>
<b>Total U.S. Department             of Education .....</b>			<u>—</u>	<u><b>561,316</b></u>
<b>Total .....</b>			<u><b>\$ —</b></u>	<u><b>\$ 1,064,938</b></u>

\* Includes \$61,220 of noncash awards.

# Schedule of Expenditures of Federal Awards

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Year Ended June 30, 2018

## **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Boone Community School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Boone Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Boone Community School District.

## **Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the accrual or modified basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Boone Community School District has elected to use the 13.93% unrestricted indirect cost rate as allowed under the Uniform Guidance.

## **Subrecipients**

Boone Community School District provided no federal awards to subrecipients.

**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**

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Board of Education  
Boone Community School District  
Boone, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Boone Community School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Boone Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Boone Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements 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 that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 18-II-R-1, 18-II-R-2 and 18-II-R-3 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Boone 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, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during 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.

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

Boone Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The 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, a public record by law, is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
November 28, 2018



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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Board of Education  
Boone Community School District  
Boone, Iowa

### **Report on Compliance for Each Major Federal Program**

We have audited Boone Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Boone Community School District's major federal programs for the year ended June 30, 2018. Boone Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Boone Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Boone Community School District's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, Boone Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

The management of Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boone Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control over compliance, as described in Part III of the accompanying schedule of findings and questioned costs as items 18-III-R-1 and 18-III-R-2 that we consider to be material weaknesses.

Boone Community School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Boone Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance, a public record by law, is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
November 28, 2018

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

## Part I: Summary of the Independent Auditor's Results

### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?  yes  no

Significant deficiency identified not considered to be material weakness?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

### Federal Awards

Internal control over major programs:

Material weakness identified?  yes  no

Significant deficiency identified not considered to be material weakness?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) the Uniform Guidance?  yes  no

Identification of major programs:

### **CFDA Number or Cluster**

### **Name of Federal Program**

Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2018

## **Part II: Findings Related to the Financial Statements**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

Prior year deficiencies have not been resolved and have been repeated below as items 18-II-R-1 and 18-II-R-2.

#### **18-II-R-1 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 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 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 statement.

**Condition** - Various duties that should be segregated for each transaction including authorization, custody and recording are not each properly performed by a different employee.

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

**Potential 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.

**Context** - This is a pervasive issue throughout the District.

**Identification of Repeat Findings** - We found this condition still exists in the current year.

**Auditor's Recommendation** - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

**Views of Responsible Officials and Planned Corrective Action** - We will monitor this situation and continue to segregate incompatible duties as much as possible.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2018

### 18-II-R-2 Financial Statement Preparation

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

**Condition** - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles.

**Cause** - As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to full prepare financial statements and related disclosures.

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

**Auditor's Recommendation** - The District should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

**Views of Responsible Officials and Planned Corrective Action** - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft the financial statements.

**Auditor's Conclusion** - Response accepted.

### 18-II-R-3 Inventory

**Criteria** - Management is responsible for establishing and maintaining proper procedures for the physical inventory count at year end and the reconciliation of that count to the financial statements.

**Condition** - Inventory values appear to have errors based on detail testing.

**Cause** - The District's inventory value spreadsheet was either incorrectly keyed or the inventory items were miscounted on some inventory items. The value of inventory items was also misapplied on some items.

**Potential Effect** - Inadequate record keeping of inventory balances and values adversely affect the District's valuation of inventory and, therefore, food supply expense, potentially leading to misstated financial statements.

**Context** - We tested ten inventory items for propriety of count and value and found count errors on seven items and value errors on eight items.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2018

**Identification of Repeat Findings** - We found this condition still exists in the current year.

**Auditor's Recommendation** - We recommend that the District implement a policy to adequately count and reconcile food and commodity inventory at year end.

**Views of Responsible Officials and Planned Corrective Action** - Additional oversight and training will be provided during the inventory process. Department of Education inventory record documents will be utilized and completed in a timely manner.

**Auditor's Conclusion** - Response accepted.

### **Part III: Findings and Questioned Costs for Federal Awards**

#### **Internal Control Deficiencies**

A prior year deficiency has not been resolved and has been repeated below as item 18-III-R-1.

#### **All Programs Displayed on the Schedule of Expenditures of Federal Awards**

**18-III-R-1 Segregation of Duties** - As previously identified in the fiscal year 2017 audit report as item (2018-001) 17-III-R-1, adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 18-II-R-1 for additional information.

**CFDA Number 10.553: School Breakfast Program**

**CFDA Number 10.555: National School Lunch Program**

**CFDA Number 10.559: Summer Food Service Program for Children**

**Federal Award Year: 2018**

**U.S. Department of Agriculture**

**Passed through the Iowa Department of Education**

#### **18-III-R-2 Child Nutrition Cluster - Application Verification (2018-002)**

**Criteria** - Student lunch classifications expire at the end of each school year, and the student must reapply for free or reduced meals each school year. The District allows a 30 school-day grace period before the student is changed to paid, if no new application is filed.

**Condition** - The District allowed a student who passed the grace period without a new application to remain classified as free.

**Cause** - The staff updating meal classifications did not follow the required steps for non-response for all students after the grace period expired.

**Potential Effect** - The District is providing free meals to a student who might not qualify for free meals.

**Context** - The District should have updated the meal classification to 'paid' as soon as the grace period passed with no new application from the family.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**Auditor's Recommendation** - We recommend that all students' meal classification be updated immediately after receiving a new application, if applicable, or after the grace period expires, whichever comes first.

**Views of Responsible Officials and Planned Corrective Action** - We will update the meal classification properly at the appropriate dates.

**Auditor's Conclusion** - Response accepted.

### **Part IV: Other Findings Related to Statutory Reporting**

**18-IV-A Certified Budget** - Expenditures for the year ended June 30, 2018 did not exceed the amount budgeted in any program function.

**18-IV-B Questionable Expenditures** - No expenditures we believe may not meet the requirements of public purpose as defined in Attorney General's opinion dated April 25, 1979 were noted, other than those mentioned in comment 18-IV-M.

**18-IV-C 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.

**18-IV-D Business Transactions** - Business transactions between the District and District officials or employees are detailed as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
Jeremy Pritchard, Board member Vice President/Owner at Pritchard Bros	Miscellaneous repairs	\$12,908

**Auditor's Recommendation** - The District should consult with its attorney regarding this situation.

**District Response** - We will consult with our attorney when necessary.

**Auditor's Conclusion** - Response accepted.

**18-IV-E 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.

**18-IV-F Board Minutes** - No business transactions were found that we believe should have been approved in the Board minutes but were not.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2018

### 18-IV-G Certified Enrollment

**Finding** - The following variances in the basic enrollment data certified to the Iowa Department of Education were noted:

- The District certified one student with the wrong entry code for their enrollment status.
- The District under-certified two HSAP students who were dual enrolled.
- The District omitted one course that should have been included.

The errors resulted in the District over reporting by (0.73) students.

**Auditor's Recommendation** - The District should review procedures to ensure accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

**District's Response** - We will continue to follow procedures in place and respond to any errors as we become aware of them.

**Auditor's Conclusion** - Response accepted.

### 18-IV-H Supplementary Weighting

**Finding** - The following variances in the supplementary weighting data certified to the Iowa Department of Education were noted:

- The District over-certified one class by one-half unit in math.
- The District under-certified six classes for additional weighting for two HSAP students being dual enrolled in them.

**Auditor's Recommendation** - The District should review procedures to ensure supplementary weighting is properly reported to the Iowa Department of Education.

**District's Response** - We will continue to review procedures to ensure accurate supplementary weighting data is certified to the Iowa Department of Education.

**Auditor's Conclusion** - Response accepted.

**18-IV-I Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

**18-IV-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

**18-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.



# Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**18-IV-L Statewide Sales, Services and Use Tax** - No instances of noncompliance 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, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance.....		\$ 4,209,966
Revenue/Transfers In		
Sales tax revenue .....	\$ 1,934,005	
Other local revenue .....	28,071	
Transfers from High School construction.....	<u>296,625</u>	2,258,701
Expenditures/Transfers Out		
School infrastructure construction and capital assets purchased.....	\$ 12,597	
Transfer to debt service fund.....	<u>2,166,493</u>	<u>2,179,090</u>
<b>Ending Balance</b> .....		<b><u>\$ 4,289,577</u></b>

For the year ended June 30, 2018, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	<b>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</b>	<b>Property Tax Dollars Reduced</b>
<b>Debt Service Levy - Reduction From Prior Year .....</b>	<b><u>\$ (0.16385)</u></b>	<b><u>\$ 82,083</u></b>

**18-IV-M Student Activity Fund** - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-16.2(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found three instances of expenditures that did not appear to meet this criteria.

**Recommendation** - We recommend the District only allow expenditures to be made from the Student Activity Fund that are allowable by Chapter 298A.8 of the Code of Iowa.

**Response** - We will only allow appropriate expenditures to be made from the Student Activity Fund.

**Conclusion** - Response accepted.

## Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2018

**18-IV-N Student Meal Accounts** - During our audit, we noted numerous student meal account balances that have exceeded the allowed negative balance, per District policy. The total negative balance of all student meal accounts could potentially become lost revenue for the District.

**Auditor's Recommendation** - We recommend the District enforce the current policy and attempt to collect negative revenue.

**District's Response** - We will be sure to enforce the current policy and attempt to collect current negative revenue.

**Auditor's Conclusion** - Response accepted.