

EARLHAM COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2019

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Funds Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of the District's Proportionate Share of the Net Pension Liability		48
Schedule of District Contributions		49
Notes to Required Supplementary Information - Pension Liability		50
Schedule of Changes in the District's Total OPEB liability, Related Ratios and Notes		51
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Capital Projects Fund Accounts:		
Combining Balance Sheet	3	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	59
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 <u>Government Auditing Standards</u>		60-61
Schedule of Findings		62-65

Earlham Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Julene Mutchler-McNeal	President	2019
Kathy Woolcott	Vice President	2021
Kasey Henke	Board Member	2021
Jess Tiemeyer	Board Member	2019
Jan Fletcher	Board Member	2019
School Officials		
Mike Wright	Superintendent	2019
Jodi Stroud	District Secretary/ Business Manager	2019
Ahlers & Cooney, P.C.	Attorney	2019

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Earlham Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Earlham Community School District, Earlham, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Earlham Community School District as of June 30, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Earlham 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, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2020 on our consideration of Earlham 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Earlham Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 26, 2020
Newton, Iowa



Earlham Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Earlham Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,780,439 in fiscal year 2018 to \$6,648,485 in fiscal year 2019, while General Fund expenditures decreased from \$7,091,281 in fiscal year 2018 to \$6,933,345 in fiscal year 2019. Expenditures exceeded revenues resulting in a decrease in the District's General Fund balance from \$1,092,339 at June 30, 2018 to \$807,479 at June 30, 2019, a 26.08% decrease from the prior year.
- The decrease in General Fund revenues was mainly due to a decrease in local tax revenues compared to the prior year. The decrease in expenditures was mainly due to decreased spending for instructional staff support services.
- The District's total net position increased from \$7,036,304 at June 30, 2018 to \$7,329,384 at June 30, 2019. Total revenues increased from \$8,514,434 in fiscal year 2018 to \$8,915,663 in fiscal year 2019, a 4.71% increase, while total expenses increased from \$8,226,345 in fiscal year 2018 to \$8,622,583 in fiscal year 2019, a 4.82% decrease compared to the prior year.

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 Earlham Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities were financed in the short term as well as what remains for future spending. Fund financial statements report Earlham Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Earlham Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability and Related Ratios and Notes.

Supplementary Information provides detailed information about the non-major governmental funds.

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

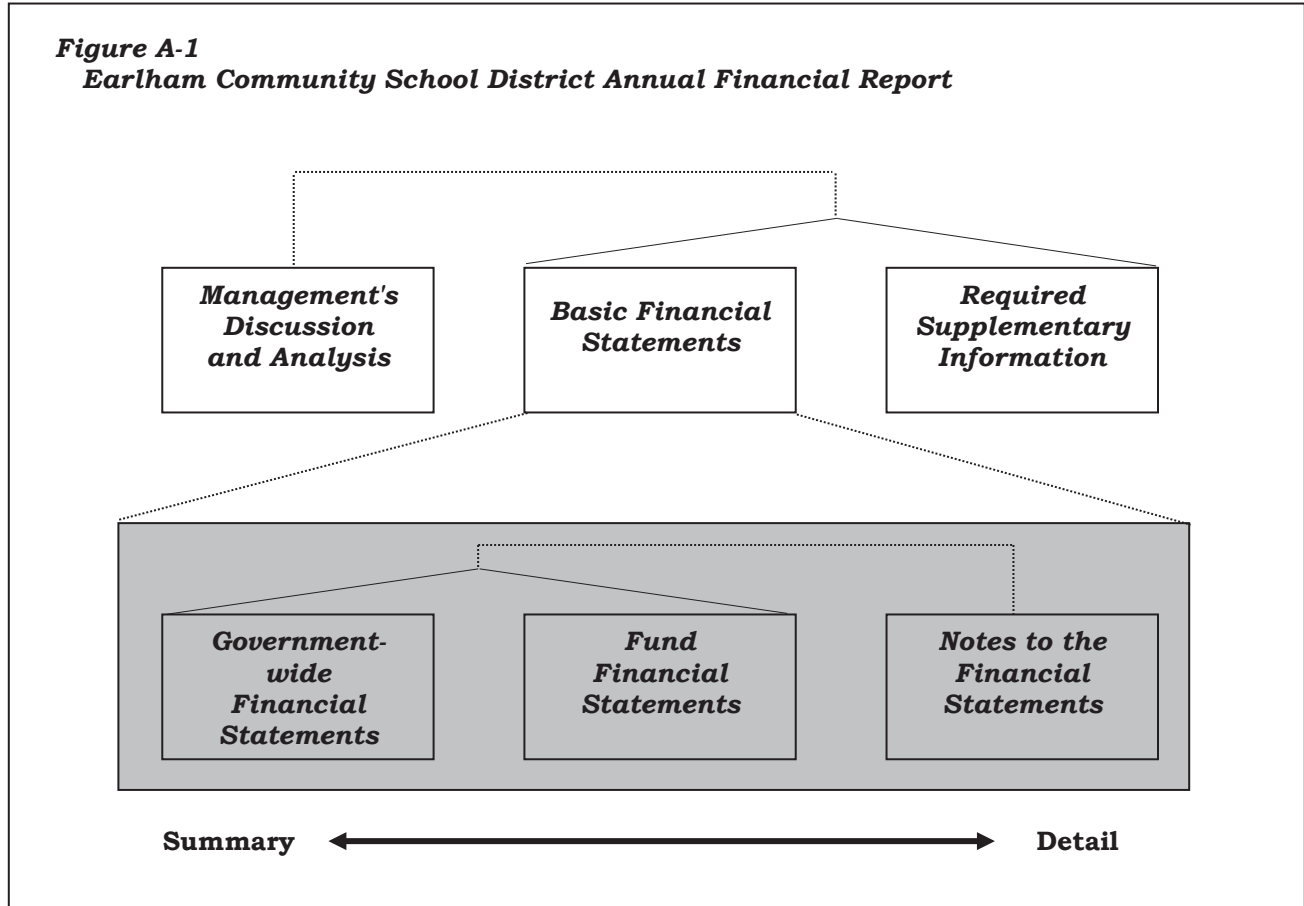


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2019 compared to June 30, 2018.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Current and other assets	\$ 5,716,383	5,955,522	34,993	27,208	5,751,376	5,982,730	-3.87%
Capital assets	11,975,720	12,063,194	6,462	9,400	11,982,182	12,072,594	-0.75%
Total assets	17,692,103	18,018,716	41,455	36,608	17,733,558	18,055,324	-1.78%
Deferred outflows of resources	1,022,775	1,104,873	28,296	31,016	1,051,071	1,135,889	-7.47%
Long-term liabilities	7,148,101	7,855,028	96,391	103,686	7,244,492	7,958,714	-8.97%
Other liabilities	834,756	842,693	13,678	11,269	848,434	853,962	-0.65%
Total liabilities	7,982,857	8,697,721	110,069	114,955	8,092,926	8,812,676	-8.17%
Deferred inflows of resources	3,358,160	3,336,914	4,159	5,319	3,362,319	3,342,233	0.60%
Net position:							
Net investment in capital assets	8,535,720	7,853,194	6,462	9,400	8,542,182	7,862,594	8.64%
Restricted	843,294	894,181	-	-	843,294	894,181	-5.69%
Unrestricted	(2,005,153)	(1,658,421)	(50,939)	(62,050)	(2,056,092)	(1,720,471)	-19.51%
Total net position	\$ 7,373,861	7,088,954	(44,477)	(52,650)	7,329,384	7,036,304	4.17%

The District's total net position increased 4.17%, or \$293,080, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$50,887, or 5.69%, from the prior year. The main reason for the decrease in restricted net position was the decrease in the amount restricted for physical plant and equipment.

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 \$335,621, or 19.51%. The primary reason for the decrease in unrestricted net position was the decrease in the unassigned General Fund balance during fiscal year 2019.

Figure A-4 shows the changes in net position for the year ended June 30, 2019 compared to the year ended June 30, 2018.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Revenues:							
Program revenues:							
Charges for service	\$ 785,930	683,166	240,239	236,685	1,026,169	919,851	11.56%
Operating grants, contributions and restricted interest	603,120	482,960	136,148	128,492	739,268	611,452	20.90%
General revenues:							
Property tax	3,153,714	3,010,418	-	-	3,153,714	3,010,418	4.76%
Statewide sales, services and use tax	590,004	539,727	-	-	590,004	539,727	9.32%
Unrestricted state grants	3,295,688	3,330,908	-	-	3,295,688	3,330,908	-1.06%
Unrestricted investment earnings	15,499	7,593	111	13	15,610	7,606	105.23%
Other	94,182	92,861	1,028	1,611	95,210	94,472	0.78%
Total revenues	<u>8,538,137</u>	<u>8,147,633</u>	<u>377,526</u>	<u>366,801</u>	<u>8,915,663</u>	<u>8,514,434</u>	<u>4.71%</u>
Program expenses:							
Instruction	5,181,843	5,035,494	-	-	5,181,843	5,035,494	2.91%
Support services	2,280,262	2,156,436	-	-	2,280,262	2,156,436	5.74%
Non-instructional programs	-	-	369,353	369,609	369,353	369,609	-0.07%
Other expenses	791,125	664,806	-	-	791,125	664,806	19.00%
Total expenses	<u>8,253,230</u>	<u>7,856,736</u>	<u>369,353</u>	<u>369,609</u>	<u>8,622,583</u>	<u>8,226,345</u>	<u>4.82%</u>
Excess(Deficiency) of revenues over(under) expenses	284,907	290,897	8,173	(2,808)	293,080	288,089	-0.10%
Transfers	-	(2,483)	-	2,483	-	-	0.00%
Change in net position	284,907	288,414	8,173	(325)	293,080	288,089	1.73%
Net position beginning of year	<u>7,088,954</u>	<u>6,800,540</u>	<u>(52,650)</u>	<u>(52,325)</u>	<u>7,036,304</u>	<u>6,748,215</u>	<u>4.27%</u>
Net position end of year	<u>\$ 7,373,861</u>	<u>7,088,954</u>	<u>(44,477)</u>	<u>(52,650)</u>	<u>7,329,384</u>	<u>7,036,304</u>	<u>4.17%</u>

In fiscal year 2019, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 82.45% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$8.92 million, of which approximately \$8.54 million was for governmental activities and approximately \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.71% increase in revenues and a 4.82% increase in expenses. Revenues from property taxes increased \$143,296 to help fund the increase in expenses. The largest increase in expenses occurred in the instruction function.

Governmental Activities

Revenues for governmental activities were \$8,538,137 and expenses were \$8,253,230 for the year ended June 30, 2019.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2019 compared to those expenses for the year ended June 30, 2018.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2019	2018	Change 2018-19	2019	2018	Change 2018-19
Instruction	\$ 5,181,843	5,035,494	2.91%	4,082,025	4,125,240	-1.05%
Support services	2,280,262	2,156,436	5.74%	2,245,316	2,155,354	4.17%
Other expenses	791,125	664,806	19.00%	536,839	410,016	30.93%
Totals	<u>\$ 8,253,230</u>	<u>7,856,736</u>	<u>5.05%</u>	<u>6,864,180</u>	<u>6,690,610</u>	<u>2.59%</u>

For the year ended June 30, 2019:

- The cost financed by users of the District's programs was \$785,930.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$603,120.
- The net cost of governmental activities was financed with \$3,153,714 in property tax, \$590,004 in statewide sales, services and use tax, \$3,295,688 in unrestricted state grants, \$15,499 in investment earnings and \$94,182 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$377,526 and expenses were \$369,353. The District's business type activities include the School Nutrition Fund. Revenues of these activities were mostly comprised of charges for service and federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, Earlham Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,632,018, below last year's ending fund balances of \$1,915,788. This decrease in combined fund balances is mainly due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The decrease in the District's General Fund balance from \$1,092,339 at June 30, 2018 to \$807,479 at June 30, 2019 is a product of many factors. Total revenues decreased, mainly due to a decrease in local tax revenues compared to the prior year. Expenditures for instructional staff support services decreased \$190,775 from the prior year, leading to a reduction in total expenditures. Expenditures exceeded revenues resulting in the decrease in fund balance.
- The Capital Projects Fund balance decreased from \$703,502 at June 30, 2018 to \$532,275 at June 30, 2019. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$503,643 at June 30, 2018 to 460,410 at June 30, 2019. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from \$199,859 at June 30, 2018 to \$71,865 at June 30, 2019.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$52,650 at June 30, 2018 to deficit \$44,477 at June 30, 2019, representing an increase of 15.52%. Total revenues increased slightly and total expenses decreased slightly from the prior year.

The cash flow and the operating costs of the School Nutrition Fund are monitored closely to make sure the revenues from the hot lunch sales are adequate to cover labor, supply and transportation costs.

BUDGETARY HIGHLIGHTS

The District's revenues were \$41,649 less than budgeted revenues, a variance of 0.46%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$11,982,182 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) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$538,380.

The original cost of the District's capital assets was \$18,956,828. Governmental funds accounted for \$18,738,965 with the remainder of \$217,863 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction and progress category. The District's construction in progress totaled \$0 at June 30, 2019, compared to \$3,828,636 reported at June 30, 2018. The decrease was due to the completion and subsequent capitalization of the gym/athletic addition and roof projects during fiscal year 2019.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Land	\$ 373,930	373,930	-	-	373,930	373,930	0.00%
Construction in progress	-	3,828,636	-	-	-	3,828,636	-100.00%
Buildings	11,124,425	7,386,338	-	-	11,124,425	7,386,338	50.61%
Improvements other than buildings	181,574	167,671	-	-	181,574	167,671	8.29%
Machinery and equipment	295,791	306,619	6,462	9,400	302,253	316,019	-4.36%
Total	\$ 11,975,720	12,063,194	6,462	9,400	11,982,182	12,072,594	-0.75%

Long-Term Debt

At June 30, 2019, the District had \$3,440,000 of long-term debt outstanding. This represents a decrease of 18.29% from the prior year. (See figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness of \$230,000 at June 30, 2019, payable from the Debt Service Fund.

The District had outstanding revenue bonded indebtedness of \$3,210,000 at June 30, 2019, payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District.

Figure A-7			
Outstanding Long-Term Obligations			
	Total	Total	Total
	District	Change	
	June 30,	June 30,	
	2019	2018	2018-19
General obligation bonds	\$ 230,000	715,000	-67.83%
Revenue bonds	3,210,000	3,495,000	-8.15%
	<u>\$ 3,440,000</u>	<u>4,210,000</u>	<u>-18.29%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 1) Stagnant student growth. It has been stagnant over the last three years.
- 2) Continued special education costs for 504 plans.
- 3) Staying competitive with wages across all departments in the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Stroud, District Secretary/Business Manager, Earlham Community School District, P.O. Box 430, Earlham, Iowa, 50072.



Earlham Community School District

BASIC FINANCIAL STATEMENTS

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,263,316	22,402	2,285,718
Receivables			
Property tax:			
Delinquent	26,374	-	26,374
Succeeding year	3,195,954	-	3,195,954
Accounts	3,111	2,852	5,963
Due from other governments	227,628	798	228,426
Inventories	-	8,941	8,941
Capital assets not being depreciated:			
Land and construction in progress	373,930	-	373,930
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	11,601,790	6,462	11,608,252
Total assets	17,692,103	41,455	17,733,558
Deferred Outflows of Resources			
Pension related deferred outflows	897,423	23,763	921,186
OPEB related deferred outflows	125,352	4,533	129,885
Total deferred outflows of resources	1,022,775	28,296	1,051,071
Liabilities			
Accounts payable	226,323	433	226,756
Salaries and benefits payable	607,283	4,302	611,585
Accrued interest payable	1,150	-	1,150
Unearned revenue	-	8,943	8,943
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	230,000	-	230,000
Revenue bonds	290,000	-	290,000
Termination benefits	21,611	-	21,611
Portion due after one year:			
Revenue bonds payable	2,920,000	-	2,920,000
Termination benefits	78,586	-	78,586
Net pension liability	3,239,051	83,053	3,322,104
Total OPEB liability	368,853	13,338	382,191
Total liabilities	7,982,857	110,069	8,092,926
Deferred Inflows of Resources:			
Unavailable property tax revenue	3,195,954	-	3,195,954
Pension related deferred inflows	162,206	4,159	166,365
Total deferred inflows of resources	3,358,160	4,159	3,362,319
Net Position			
Net investment in capital assets	8,535,720	6,462	8,542,182
Restricted for:			
Categorical funding	114,490	-	114,490
Debt service	7,916	-	7,916
Management levy purposes	160,345	-	160,345
Student activities	28,268	-	28,268
School infrastructure	460,410	-	460,410
Physical plant and equipment	71,865	-	71,865
Unrestricted	(2,005,153)	(50,939)	(2,056,092)
Total net position	\$ 7,373,861	(44,477)	7,329,384

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,365,375	518,970	43,447	(2,802,958)	-	(2,802,958)
Special	713,722	68,242	81,153	(564,327)	-	(564,327)
Other	1,102,746	198,718	189,288	(714,740)	-	(714,740)
	<u>5,181,843</u>	<u>785,930</u>	<u>313,888</u>	<u>(4,082,025)</u>	<u>-</u>	<u>(4,082,025)</u>
Support services:						
Student	130,140	-	-	(130,140)	-	(130,140)
Instructional staff	399,295	-	-	(399,295)	-	(399,295)
Administration	788,686	-	34,711	(753,975)	-	(753,975)
Operation and maintenance of plant	765,464	-	-	(765,464)	-	(765,464)
Transportation	196,677	-	235	(196,442)	-	(196,442)
	<u>2,280,262</u>	<u>-</u>	<u>34,946</u>	<u>(2,245,316)</u>	<u>-</u>	<u>(2,245,316)</u>
Long-term debt interest	98,262	-	-	(98,262)	-	(98,262)
Other expenditures:						
AEA flowthrough	254,286	-	254,286	-	-	-
Depreciation(unallocated)*	438,577	-	-	(438,577)	-	(438,577)
	<u>692,863</u>	<u>-</u>	<u>254,286</u>	<u>(438,577)</u>	<u>-</u>	<u>(438,577)</u>
Total governmental activities	<u>8,253,230</u>	<u>785,930</u>	<u>603,120</u>	<u>(6,864,180)</u>	<u>-</u>	<u>(6,864,180)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	369,353	240,239	136,148	-	7,034	7,034
Total	<u>\$ 8,622,583</u>	<u>1,026,169</u>	<u>739,268</u>	<u>(6,864,180)</u>	<u>7,034</u>	<u>(6,857,146)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,390,565	-	2,390,565
Debt service				510,214	-	510,214
Capital outlay				252,935	-	252,935
Statewide sales, services and use tax				590,004	-	590,004
Unrestricted state grants				3,295,688	-	3,295,688
Unrestricted investment earnings				15,499	111	15,610
Other				94,182	1,028	95,210
Total general revenues				<u>7,149,087</u>	<u>1,139</u>	<u>7,150,226</u>
Change in net position				284,907	8,173	293,080
Net position beginning of year				<u>7,088,954</u>	<u>(52,650)</u>	<u>7,036,304</u>
Net position end of year				<u>\$ 7,373,861</u>	<u>(44,477)</u>	<u>7,329,384</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,435,987	484,501	288,023	2,208,511
Receivables:				
Property tax:				
Delinquent	18,016	2,116	6,242	26,374
Succeeding year	2,492,520	264,533	438,901	3,195,954
Accounts	2,901	-	210	3,111
Due from other governments	180,819	46,809	-	227,628
Total assets	\$ 4,130,243	797,959	733,376	5,661,578
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 222,961	1,151	2,211	226,323
Salaries and benefits payable	607,283	-	-	607,283
Total liabilities	830,244	1,151	2,211	833,606
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,492,520	264,533	438,901	3,195,954
Fund balances:				
Restricted for:				
Categorical funding	114,490	-	-	114,490
Debt service	-	-	9,066	9,066
Management levy purposes	-	-	260,542	260,542
Student activities	-	-	28,268	28,268
School infrastructure	-	460,410	-	460,410
Physical plant and equipment	-	71,865	-	71,865
Unassigned:				
General	692,989	-	-	692,989
Student activities	-	-	(5,612)	(5,612)
Total fund balances	807,479	532,275	292,264	1,632,018
Total liabilities, deferred inflows of resources and fund balances	\$ 4,130,243	797,959	733,376	5,661,578

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total fund balances of governmental funds(page 20)	\$	1,632,018
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,975,720
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		54,805
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.		(1,150)
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:		
Deferred outflows of resources	\$ 1,022,775	
Deferred inflows of resources	<u>(162,206)</u>	860,569
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(7,148,101)</u>
Net position of governmental activities(page 18)	\$	<u><u>7,373,861</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,065,074	252,935	835,705	3,153,714
Tuition	580,352	-	-	580,352
Other	129,341	4,083	202,516	335,940
State sources	3,675,712	591,602	5,314	4,272,628
Federal sources	195,503	-	-	195,503
Total revenues	<u>6,645,982</u>	<u>848,620</u>	<u>1,043,535</u>	<u>8,538,137</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,300,654	23,111	-	3,323,765
Special	697,501	-	-	697,501
Other	858,046	-	202,195	1,060,241
	<u>4,856,201</u>	<u>23,111</u>	<u>202,195</u>	<u>5,081,507</u>
Support services:				
Student	130,545	-	-	130,545
Instructional staff	370,561	-	-	370,561
Administration	714,667	49,751	-	764,418
Operation and maintenance of plant	438,210	103,109	167,291	708,610
Transportation	162,829	17,333	-	180,162
	<u>1,816,812</u>	<u>170,193</u>	<u>167,291</u>	<u>2,154,296</u>
Capital outlay	-	517,247	-	517,247
Long-term debt:				
Principal	-	-	770,000	770,000
Interest and fiscal charges	-	-	100,670	100,670
	<u>-</u>	<u>-</u>	<u>870,670</u>	<u>870,670</u>
Other expenditures:				
AEA flowthrough	254,286	-	-	254,286
Total expenditures	<u>6,927,299</u>	<u>710,551</u>	<u>1,240,156</u>	<u>8,878,006</u>
Excess(Deficiency) of revenues over(under) expenditures	(281,317)	138,069	(196,621)	(339,869)
Other financing sources(uses):				
Insurance proceeds	108	53,596	-	53,704
Sale of equipment	2,395	-	-	2,395
Transfer in	-	-	368,938	368,938
Transfer out	(6,046)	(362,892)	-	(368,938)
Total other financing sources(uses)	<u>(3,543)</u>	<u>(309,296)</u>	<u>368,938</u>	<u>56,099</u>
Change in fund balances	(284,860)	(171,227)	172,317	(283,770)
Fund balances beginning of year	<u>1,092,339</u>	<u>703,502</u>	<u>119,947</u>	<u>1,915,788</u>
Fund balances end of year	<u>\$ 807,479</u>	<u>532,275</u>	<u>292,264</u>	<u>1,632,018</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019

Change in fund balances - total governmental funds(page 22) \$ (283,770)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Capital outlay	\$ 447,968	
Depreciation expense	<u>(535,442)</u>	(87,474)

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance on an entity-wide basis. (1,297)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 770,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrued, regardless of when it is due. 2,408

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 356,654

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

Termination benefits	(100,197)	
Pension expense	(335,343)	
Total OPEB liability and related expenses	<u>(36,074)</u>	<u>(471,614)</u>

Change in net position of governmental activities(page 19) \$ 284,907

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Assets		
Current assets:		
Cash and pooled investments	\$ 22,402	54,805
Accounts receivable	2,852	-
Due from other governments	798	-
Inventories	8,941	-
Total current assets	<u>34,993</u>	<u>54,805</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	6,462	-
Total assets	<u>41,455</u>	<u>54,805</u>
Deferred Outflows of Resources		
Pension related deferred outflows	23,763	-
OPEB related deferred outflows	4,533	-
Total deferred outflows of resources	<u>28,296</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	433	-
Salaries and benefits payable	4,302	-
Unearned revenue	8,943	-
Total current liabilities	<u>13,678</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	83,053	-
Total OPEB liability	13,338	-
Total noncurrent liabilities	<u>96,391</u>	<u>-</u>
Total liabilities	<u>110,069</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	4,159	-
Net Position		
Net investment in capital assets	6,462	-
Unrestricted	(50,939)	54,805
Total net position	<u>\$ (44,477)</u>	<u>54,805</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Operating revenues:		
Local sources:		
Charges for service	\$ 240,239	-
Miscellaneous	1,028	4,428
Total operating revenues	<u>241,267</u>	<u>4,428</u>
Support services:		
Administration:		
Benefits	-	6,122
Non-instructional programs:		
Food service operations:		
Salaries	110,285	-
Benefits	36,607	-
Services	5	-
Supplies	219,518	-
Depreciation	2,938	-
	<u>369,353</u>	<u>-</u>
Total operating expenses	<u>369,353</u>	<u>6,122</u>
Operating loss	<u>(128,086)</u>	<u>(1,694)</u>
Non-operating revenues:		
State sources	2,241	-
Federal sources	133,907	-
Interest on investments	111	397
Total non-operating revenues	<u>136,259</u>	<u>397</u>
Change in net position	8,173	(1,297)
Net position beginning of year	<u>(52,650)</u>	<u>56,102</u>
Net position end of year	<u>\$ (44,477)</u>	<u>54,805</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 240,101	-
Cash received from miscellaneous	1,028	4,428
Cash paid to employees for services	(152,813)	(6,122)
Cash paid to suppliers for goods or services	(195,019)	-
Net cash used in operating activities	<u>(106,703)</u>	<u>(1,694)</u>
Cash flows from non-capital financing activities:		
State grants received	1,443	-
Federal grants received	107,862	-
Net cash provided by non-capital financing activities	<u>109,305</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	111	397
Net increase(decrease) in cash and pooled investments	2,713	(1,297)
Cash and pooled investments beginning of year	19,689	56,102
Cash and pooled investments end of year	<u>\$ 22,402</u>	<u>54,805</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (128,086)	(1,694)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	26,045	-
Depreciation	2,938	-
Increase in inventories	(1,940)	-
Increase in accounts receivable	(2,334)	-
Increase in accounts payable	399	-
Decrease in salaries and benefits payable	(186)	-
Decrease in net pension liability	(8,221)	-
Decrease in deferred outflows of resources	2,720	-
Decrease in deferred inflows of resources	(1,160)	-
Increase in unearned revenue	2,196	-
Increase in OPEB liability	926	-
Net cash used in operating activities	<u>\$ (106,703)</u>	<u>(1,694)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2019, the District received \$26,045 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2019

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 2,557
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 2,557</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 43,972
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	42,000
Change in net position	1,972
Net position beginning of year	585
Net position end of year	\$ 2,557

SEE NOTES TO FINANCIAL STATEMENTS.

EARLHAM COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) Summary of Significant Accounting Policies

Earlham Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the city of Earlham, Iowa, and the predominately agricultural territory in Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Earlham 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 do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas and Madison County Assessors' Conference Boards.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in 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 attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific

function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major 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 revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District's nonmajor proprietary funds are the School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's partially self-funded health insurance plan.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

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

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2018.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	2,500
Improvements other than buildings	25,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense / expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

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

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

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

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

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the 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 while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unrecognized items not yet charged to pension expense.

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2019, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,169. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were 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) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 373,930	-	-	373,930
Construction in progress	3,828,636	262,615	4,091,251	-
Total capital assets not being depreciated	<u>4,202,566</u>	<u>262,615</u>	<u>-</u>	<u>373,930</u>
Capital assets being depreciated:				
Buildings	12,029,666	4,143,838	-	16,173,504
Improvements other than buildings	466,115	46,729	-	512,844
Machinery and equipment	1,592,650	86,037	-	1,678,687
Total capital assets being depreciated	<u>14,088,431</u>	<u>4,276,604</u>	<u>-</u>	<u>18,365,035</u>
Less accumulated depreciation for:				
Buildings	4,643,328	405,751	-	5,049,079
Improvements other than buildings	298,444	32,826	-	331,270
Machinery and equipment	1,286,031	96,865	-	1,382,896
Total accumulated depreciation	<u>6,227,803</u>	<u>535,442</u>	<u>-</u>	<u>6,763,245</u>
Total capital assets being depreciated, net	<u>7,860,628</u>	<u>3,741,162</u>	<u>-</u>	<u>11,601,790</u>
Governmental activities capital assets, net	<u>\$ 12,063,194</u>	<u>4,003,777</u>	<u>-</u>	<u>11,975,720</u>
Business type activities:				
Machinery and equipment	\$ 217,863	-	-	217,863
Less accumulated depreciation	208,463	2,938	-	211,401
Business type activities capital assets, net	<u>\$ 9,400</u>	<u>(2,938)</u>	<u>-</u>	<u>6,462</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 18,771
Support services:	
Instructional staff	11,215
Administration	18,656
Operation and maintenance of plant	29,129
Transportation	19,094
	<u>96,865</u>
Unallocated	<u>438,577</u>
Total depreciation expense - governmental activities	<u>\$ 535,442</u>
Business type activities:	
Food service operations	<u>\$ 2,938</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Student Activity	General Fund	\$ 6,046
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	362,892
Total		<u>\$ 368,938</u>

The transfer from the General Fund to the Student Activity Fund was a reimbursement for protective safety equipment.

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

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 715,000	-	485,000	230,000	230,000
Revenue bonds	3,495,000	-	285,000	3,210,000	290,000
Termination benefits	-	100,197	-	100,197	21,611
Total OPEB liability	343,225	25,628	-	368,853	-
Net pension liability	3,301,803	-	62,752	3,239,051	-
Total	<u>\$ 7,855,028</u>	<u>125,825</u>	<u>832,752</u>	<u>7,148,101</u>	<u>541,611</u>
Business type activities:					
Total OPEB liability	\$ 12,412	926	-	13,338	-
Net pension liability	91,274	-	8,221	83,053	-
Total	<u>\$ 103,686</u>	<u>926</u>	<u>8,221</u>	<u>96,391</u>	<u>-</u>

General Obligation Bonds

In April 2018, the District approved an additional debt service excess levy rate of \$1.31847 per \$1,000 taxable valuation for fiscal year 2019. The surplus levy was used to advance refund \$250,000 in principal of the general obligation bonds dated January 1, 2011. The anticipated interest cost savings provided by the surplus levy was \$15,585. Details of the District's June 30, 2019 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Issue dated January 1, 2011			
	Interest Rates	Principal	Interest	Total
2020	3.00%	<u>\$ 230,000</u>	6,900	236,900

Revenue Bonds

Details of the District's June 30, 2019 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 20, 2017			
	Interest Rates	Principal	Interest	Total
2020	2.20%	\$ 290,000	70,620	360,620
2021	2.20	295,000	64,240	359,240
2022	2.20	305,000	57,750	362,750
2023	2.20	310,000	51,040	361,040
2024	2.20	315,000	44,220	359,220
2025-2029	2.20	1,695,000	113,520	1,808,520
Total		<u>\$ 3,210,000</u>	<u>401,390</u>	<u>3,611,390</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,775,000 of bonds issued in June 2017. The bonds were issued for the purpose of financing a portion of the costs of a new athletic complex. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 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 61% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,210,000. For the current year, \$285,000 of principal and \$76,890 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$590,004.

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

- a) There is no reverse requirement associated with the June 1, 2017 bond issuance.
- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a Revenue Account held by the bonding agent in the District's name.
- 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.

Termination Benefits

In January 2019, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have reached the age of fifty-five on or before June 30, 2019. The application for early retirement was subject to approval by the Board of Education.

Successful early retirement applicants will receive District contributions, equal to the cost of single coverage, toward continued participation in the District's health insurance plan until the retiree turns sixty-five, becomes eligible for health coverage elsewhere or no longer needs coverage.

At June 30, 2019, the District had obligations to three participants with a total liability of \$100,197.

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO

Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2019 were \$366,551.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$3,322,104 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the District's proportion was 0.052496%, which was an increase of 0.001559% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$338,201. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,215	75,085
Changes of assumptions	473,919	-
Net difference between projected and actual earnings on IPERS' investments	-	91,280
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	62,501	-
District contributions subsequent to the measurement date	366,551	-
Total	\$ 921,186	166,365

\$366,551 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 249,781
2021	132,969
2022	(9,472)
2023	13,510
2024	1,482
Total	\$ 388,270

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 5,638,278	3,322,104	1,379,178

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

Payables to IPERS - At June 30, 2019, the District reported payables to the IPERS of \$43,606 for legally required District contributions and \$29,056 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>88</u>
Total	<u><u>89</u></u>

Total OPEB Liability - The District's total OPEB liability of \$382,191 was measured as of June 30, 2019, and was determined by an actuarial valuation utilizing roll-forward procedures.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation.
Discount rate (effective July 1, 2017)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	8.00% initial rate decreasing variably to an ultimate rate of 5.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.58% 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.

The mortality assumption changed to the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 355,637
Changes for the year:	
Service cost	26,993
Interest	13,450
Benefit payments	<u>(13,889)</u>
Net changes	<u>26,554</u>
Total OPEB liability end of year	<u><u>\$ 382,191</u></u>

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 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	\$ 419,325	382,191	348,242

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 it were calculated using healthcare cost trend rates 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 335,972	382,191	437,616

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$51,267. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 80,528
Changes in assumptions	49,357
Total	<u>\$ 129,885</u>

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

Year Ended June 30,	Amount
2020	\$ 10,824
2021	10,824
2022	10,824
2023	10,824
2024	10,824
Thereafter	<u>75,765</u>
Total	<u>\$ 129,885</u>

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose, totaled \$254,286 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Tax Abatements

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

governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Earlham	Urban Revitalization	\$41,592

(11) Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2019.

Program	Amount
Home school assistance program	\$ 87
Gifted and talented programs	6,148
Returning dropouts and dropout prevention programs	34,833
Teacher leadership state aid	3,597
Four-year-old preschool state aid	2,391
Teacher Salary Supplement	32,334
Professional Development	35,100
Total	<u>\$ 114,490</u>

(12) Operating Leases

The District entered into an operating lease with Apple, Inc. for computer equipment. Details of the contract include semi-annual payments of \$17,587 beginning July 2017 through January 2020.

The District entered into an operating lease with Apple, Inc. for equipment used in the District's 1:1 computer program. Details of the contract include semi-annual payments of \$44,050 beginning July 2018 through January 2021.

The District entered into an operating lease with Daimler Truck Financial for a bus. Details of the contract include annual payments of \$11,915 beginning February 2019 through February 2021. The contract includes an option to purchase in February 2021 which the District does not currently plan to exercise.

(13) Deficit Balances

The District had one account within the Special Revenue, Student Activity Fund with a deficit unassigned fund balance of \$5,612 at June 30, 2019.

(14) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	9,066	260,542	692,989
Capital assets, net of accumulated depreciation	11,975,720	-	-	-
General obligation bond capitalized indebtedness	(230,000)	-	-	-
Revenue bond capitalized indebtedness	(3,210,000)	-	-	-
Accrued interest payable	-	(1,150)	-	-
Termination benefits	-	-	(100,197)	-
Internal service fund	-	-	-	54,805
Pension related deferred outflows	-	-	-	897,423
OPEB related deferred outflows	-	-	-	125,352
Net pension liability	-	-	-	(3,239,051)
Total OPEB liability	-	-	-	(368,853)
Pension related deferred inflows	-	-	-	(162,206)
Unassigned for student activities	-	-	-	(5,612)
Net position (Exhibit A)	<u>\$ 8,535,720</u>	<u>7,916</u>	<u>160,345</u>	<u>(2,005,153)</u>

(15) Accounting Change

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business type activities should report their fiduciary activities.

(16) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Earlham Community School District may be adversely impacted. The extent of the financial impact of COVID-19 will depend on further developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Earlham Community School District's operations and finances.



Earlham Community School District

REQUIRED SUPPLEMENTARY INFORMATION

EARLHAM COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2019

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,070,006	241,378	4,311,384	4,302,612	4,302,612	8,772
State sources	4,272,628	2,241	4,274,869	4,409,700	4,409,700	(134,831)
Federal sources	195,503	133,907	329,410	245,000	245,000	84,410
Total revenues	<u>8,538,137</u>	<u>377,526</u>	<u>8,915,663</u>	<u>8,957,312</u>	<u>8,957,312</u>	<u>(41,649)</u>
Expenditures/Expenses:						
Instruction	5,081,507	-	5,081,507	5,190,000	5,190,000	108,493
Support services	2,154,296	-	2,154,296	2,650,000	2,650,000	495,704
Non-instructional programs	-	369,353	369,353	410,000	410,000	40,647
Other expenditures	1,642,203	-	1,642,203	1,646,848	1,646,848	4,645
Total expenditures/expenses	<u>8,878,006</u>	<u>369,353</u>	<u>9,247,359</u>	<u>9,896,848</u>	<u>9,896,848</u>	<u>649,489</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(339,869)	8,173	(331,696)	(939,536)	(939,536)	607,840
Other financing sources, net	<u>56,099</u>	-	<u>56,099</u>	<u>500</u>	<u>500</u>	<u>55,599</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(283,770)	8,173	(275,597)	(939,036)	(939,036)	663,439
Balances beginning of year	<u>1,915,788</u>	<u>(52,650)</u>	<u>1,863,138</u>	<u>1,800,946</u>	<u>1,800,946</u>	<u>62,192</u>
Balances end of year	<u>\$ 1,632,018</u>	<u>(44,477)</u>	<u>1,587,541</u>	<u>861,910</u>	<u>861,910</u>	<u>725,631</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EARLHAM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2019

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

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

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

EARLHAM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST FIVE YEARS*
 REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.052496%	0.050937%	0.053126%	0.055086%	0.054899%
District's proportionate share of the net pension liability	\$ 3,322,104	3,393,077	3,343,395	2,721,517	2,177,235
District's covered payroll	\$ 3,920,955	3,802,228	3,812,272	3,773,897	3,600,829
District's proportionate share of the net pension liability as a percentage of its covered payroll	84.73%	89.24%	87.70%	72.11%	60.46%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	87.61%	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 366,551	350,142	339,539	340,436	337,009	321,554	300,759	276,287	233,498	230,309
Contributions in relation to the statutorily required contribution	\$ (366,551)	(350,142)	(339,539)	(340,436)	(337,009)	(321,554)	(300,759)	(276,287)	(233,498)	(230,309)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,882,956	3,920,955	3,802,228	3,812,272	3,773,897	3,600,829	3,468,962	3,423,631	3,359,683	3,463,293
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EARLHAM COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

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

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

EARLHAM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST TWO YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018
Service cost	\$ 26,993	26,144
Interest cost	13,450	12,439
Differences between expected and actual experiences	-	93,950
Changes in assumptions	-	57,583
Benefit payments	(13,889)	(8,509)
Net change in total OPEB liability	26,554	181,607
Total OPEB liability beginning of year	355,637	174,030
Total OPEB liability end of year	\$ 382,191	355,637
Covered-employee payroll	\$ 3,539,654	3,428,236
Total OPEB liability as a percentage of covered-employee payroll	10.80%	10.37%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%



Earlham Community School District

SUPPLEMENTARY INFORMATION

EARLHAM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 258,043	24,657	282,700	5,323	288,023
Receivables:					
Property tax:					
Delinquent	2,499	-	2,499	3,743	6,242
Succeeding year	200,000	-	200,000	238,901	438,901
Accounts	-	210	210	-	210
Total assets	\$ 460,542	24,867	485,409	247,967	733,376
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	2,211	2,211	-	2,211
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	200,000	-	200,000	238,901	438,901
Fund balances:					
Restricted for:					
Debt service	-	-	-	9,066	9,066
Management levy purposes	260,542	-	260,542	-	260,542
Student activities	-	28,268	28,268	-	28,268
Unassigned	-	(5,612)	(5,612)	-	(5,612)
Total fund balances	260,542	22,656	283,198	9,066	292,264
Total liabilities, deferred inflows of resources and fund balances	\$ 460,542	24,867	485,409	247,967	733,376

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EARLHAM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019

	Special Revenue			Debt Service	Total Nonmajor
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 325,491	-	325,491	510,214	835,705
Other	1,911	198,718	200,629	1,887	202,516
State sources	2,088	-	2,088	3,226	5,314
Total revenues	<u>329,490</u>	<u>198,718</u>	<u>528,208</u>	<u>515,327</u>	<u>1,043,535</u>
Expenditures:					
Current:					
Instruction:					
Other	-	202,195	202,195	-	202,195
Support services:					
Operation and maintenance of plant	167,291	-	167,291	-	167,291
Long-term debt:					
Principal	-	-	-	770,000	770,000
Interest and fiscal charges	-	-	-	100,670	100,670
Total expenditures	<u>167,291</u>	<u>202,195</u>	<u>369,486</u>	<u>870,670</u>	<u>1,240,156</u>
Excess(Deficiency) of revenues over(under) expenditures	162,199	(3,477)	158,722	(355,343)	(196,621)
Other financing sources:					
Transfer in	-	6,046	6,046	362,892	368,938
Change in fund balances	162,199	2,569	164,768	7,549	172,317
Fund balances beginning of year	<u>98,343</u>	<u>20,087</u>	<u>118,430</u>	<u>1,517</u>	<u>119,947</u>
Fund balances end of year	<u>\$ 260,542</u>	<u>22,656</u>	<u>283,198</u>	<u>9,066</u>	<u>292,264</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EARLHAM COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 413,601	70,900	484,501
Receivables:			
Property tax:			
Delinquent	-	2,116	2,116
Succeeding year	-	264,533	264,533
Due from other governments	46,809	-	46,809
Total assets	\$ 460,410	337,549	797,959
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,151	1,151
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	264,533	264,533
Fund balances:			
Restricted for:			
School infrastructure	460,410	-	460,410
Physical plant and equipment	-	71,865	71,865
Total fund balances	460,410	71,865	532,275
Total liabilities, deferred inflows of resources and fund balances	\$ 460,410	337,549	797,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EARLHAM COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	252,935	252,935
Other	3,354	729	4,083
State sources	590,004	1,598	591,602
Total revenues	<u>593,358</u>	<u>255,262</u>	<u>848,620</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	23,111	23,111
Support services:			
Administration	-	49,751	49,751
Operation and maintenance of plant	3,973	99,136	103,109
Transportation	-	17,333	17,333
Capital outlay	269,726	247,521	517,247
Total expenditures	<u>273,699</u>	<u>436,852</u>	<u>710,551</u>
Excess(Deficiency) of revenues over(under) expenditures	319,659	(181,590)	138,069
Other financing sources(uses):			
Insurance proceeds	-	53,596	53,596
Transfer out	(362,892)	-	(362,892)
Total other financing sources(uses)	<u>(362,892)</u>	<u>53,596</u>	<u>(309,296)</u>
Change in fund balances	(43,233)	(127,994)	(171,227)
Fund balances beginning of year	<u>503,643</u>	<u>199,859</u>	<u>703,502</u>
Fund balances end of year	<u>\$ 460,410</u>	<u>71,865</u>	<u>532,275</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EARLHAM COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2019

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
General Student Activity	\$ 17	176	15	-	178
Drama/Speech	7,778	7,617	15,315	-	80
Flags	-	-	-	-	-
High School Music Trip	599	-	599	-	-
Jack Oatts Festival	6,567	9,887	12,875	-	3,579
Athletic	(2,766)	110,024	111,337	6,046	1,967
Cheerleaders	1,070	13,216	11,809	-	2,477
District Football	400	400	326	-	474
FFA	7,993	36,112	30,318	-	13,787
National Honor Society	1,024	2,598	2,138	-	1,484
Human Services	-	843	751	-	92
Annual	(8,752)	5,624	2,484	-	(5,612)
International Trip	2	197	-	-	199
Science Club	165	-	165	-	-
Art Club	1,150	-	1,045	-	105
Spanish Club	254	2,512	1,428	-	1,338
High School Student Council	4,429	9,406	11,330	-	2,505
Middle School Student Council	157	106	260	-	3
Total	\$ 20,087	198,718	202,195	6,046	22,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 3,153,714	3,010,418	2,868,007	2,866,923	2,597,506	2,555,306	2,833,614	2,956,898	2,816,342	2,509,163
Tuition	580,352	494,036	479,780	424,814	381,451	372,237	410,115	511,146	360,328	396,955
Other	335,940	315,480	323,284	377,598	404,078	336,092	377,113	362,959	294,577	256,445
State sources	4,272,628	4,233,573	4,518,041	4,627,533	4,624,894	4,050,077	3,430,866	3,378,204	3,142,783	2,905,233
Federal sources	195,503	94,126	130,305	149,936	172,468	117,707	118,106	94,319	273,141	414,884
Total	\$ 8,538,137	8,147,633	8,319,417	8,446,804	8,180,397	7,431,419	7,169,814	7,303,526	6,887,171	6,482,680
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,323,765	3,349,966	3,338,002	3,209,035	3,214,648	3,146,596	3,054,382	2,823,953	3,100,198	2,659,127
Special	697,501	677,311	697,058	700,326	666,595	737,669	596,671	529,216	543,999	689,498
Other	1,060,241	876,216	822,826	800,521	792,994	807,747	763,880	757,302	717,887	684,619
Support services:										
Student	130,545	183,928	185,120	167,832	159,867	156,491	101,165	136,895	91,960	91,797
Instructional staff	370,561	561,336	396,858	431,082	436,552	372,447	381,646	332,356	90,814	123,213
Administration	764,418	852,322	854,142	713,688	703,053	673,993	662,218	678,530	654,412	570,641
Operation and maintenance of plant	708,610	812,663	682,819	685,141	545,883	702,891	645,019	546,062	623,820	528,375
Transportation	180,162	173,437	229,948	154,151	196,670	222,624	180,730	267,166	196,585	144,288
Capital outlay	517,247	4,027,488	315,064	149,575	168,858	346,066	1,461,166	1,612,814	77,863	17,999
Long-term debt:										
Principal	770,000	510,000	1,745,000	585,000	565,000	553,960	232,709	2,221,524	285,806	274,713
Interest and fiscal charges	100,670	112,337	62,351	62,090	69,185	76,437	69,937	156,009	135,477	131,813
Other expenditures:										
AEA flow-through	254,286	254,790	253,866	260,063	259,234	234,989	224,108	226,836	243,441	240,207
Total	\$ 8,878,006	12,391,794	9,583,054	7,918,504	7,778,539	8,031,910	8,373,631	10,288,663	6,762,262	6,156,290

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Earlham Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Earlham Community School District as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 26, 2020.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-19 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-19 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2019 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.

Earlham Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

May 26, 2020
Newton, Iowa

EARLHAM COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-19 Segregation of Duties

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

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

- 1) Cash - handling and recording cash, posting and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - ordering, receiving, issuing and storing.
- 4) Receipts - collecting, recording, deposit preparation and deposit, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, mailing and recording.
- 6) Payroll - recordkeeping, preparation, posting, and distribution.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - writing, approving, and posting.
- 9) School lunch program - journalizing, posting and reconciling; purchase order processing, check preparation, mailing and recording.

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

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

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

Response - Segregation of duties continues to be a priority for the district. We are utilizing our limited support staff as much as possible in all areas to minimize liability for everyone involved.

Conclusion - Response accepted.

I-B-19 Payroll Supporting Documentation/Timesheet Approval

Criteria - An effective internal control system provides for internal controls related to payroll including timesheets and timesheet approval. These controls over safeguarding assets constitute a process designed to provide reasonable assurance regarding the prevention or timely detection of inappropriate transactions involving payroll from error or misappropriation.

Condition - We noted during our audit an instance of an hourly worker for which the District was unable to produce documentation of hours worked and other instances of timesheets which lacked administrative approval.

Cause - The District has not implemented procedures to ensure that timesheets are maintained for all hourly employees and document administrative approval.

Effect - Lack of proper approval and documentation could result in unauthorized or improper payroll payout and the opportunity for misappropriation.

Recommendation - The District should review its procedures to ensure that timesheets are maintained and properly approved and documented by the appropriate supervisor before being submitted to payroll for processing.

Response - We have implemented new procedures and a new time card system so all hourly staff time cards will be approved by their direct supervisor.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-19 Certified Budget - District expenditures for the year ended June 30, 2019 did not exceed the certified budget amounts.

II-B-19 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-19 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. However, we noted instances of employee reimbursements for mileage which were less than the amount established by Board policy #408.16.

Recommendation - The District should review procedures to ensure the mileage rate stated in board policy is the rate used to calculate employee travel reimbursements.

Response - The board policy relating to mileage reimbursement was updated during the school year, but the information was not shared directly with administrators who approve expense reports. That has been rectified and all staff has been reimbursed for the correct amount of mileage from when the policy review was approved.

Conclusion - Response accepted.

II-D-19 Business Transactions - No business transactions between the District and District officials and employees were noted.

II-E-19 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 the coverage is adequate for current operations.

II-F-19 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-19 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-19 Supplementary Weighting - We noted the supplementary weighting certified to the Iowa Department of Education appears to have been overstated by 0.044.

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

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management on behalf of the District to resolve this matter.

Conclusion - Response accepted.

II-I-19 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-19 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-19 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-19 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2019, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	503,643
Revenues:			
Sales tax revenues	\$	590,004	
Other local revenues		3,354	593,358
			<u>1,097,001</u>
Expenditures/transfers out:			
School infrastructure construction		201,070	
Equipment		55,022	
Other		17,607	
Transfer to other funds:			
Debt Service Fund		362,892	636,591
			<u>636,591</u>
Ending balance		\$	<u><u>460,410</u></u>

For the year ended June 30, 2019, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-19 Financial Condition - At June 30, 2019, the District had one account within the Student Activity Fund with a deficit unassigned fund balance of \$5,612.

Recommendation - The District should review their procedures with regards to account balances in the Student Activity Fund. The District may want to require additional

administrative approval of purchase orders from accounts that are deficit. The District should distribute a detailed monthly financial report to the sponsor responsible for each club/organization, if applicable. The sponsor should have a budget for the club/organization and should be accountable for the balance. The District should also develop a workout plan for the account.

Response - This activity has been closed, but there have been on-going fundraisers to erase this deficit balance. The fundraisers have been successful and they are continuing until this activity is taken care of and has a 0 balance.

Conclusion - Response accepted.