

**HOWARD-WINNESHIEK
COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA**

FINANCIAL REPORT

JUNE 30, 2019

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Address</u>	<u>Term Expires</u>
<u>Board of Education</u>			
Duane Bodermann	President	District 4	September 2021
Toni Johnson	Vice-President	District 3	September 2019
Todd Hill	Board Member	Director at Large	September 2019
Alison Holten	Board Member	District 1	September 2021
Karlos McClure	Board Member	District 2	September 2019

School Officials

Theodore Ihns - Superintendent
Robyn Lane - Business Manager and District Secretary/Treasurer
Elwood, O'Donohoe, Braun & White, LLP - Attorney

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard-Winneshiek Community School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, 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 that the 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 4 through 4h and pages 35 through 40 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, who 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's June 30, 2019 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 year ended June 30, 2018 (which is not presented herein) and expressed an unmodified opinion on the financial statements. The supplementary information included in Schedules 1 through 9, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 9, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 shown on Schedules 1 through 9, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the years ended June 30, 2018 and 2019 basic financial statements as a whole.

The financial statements of Howard-Winneshiek Community School District for the years ended June 30, 2010 through 2017 were audited by other auditors who expressed unmodified opinions on those statements. Their reports on the information presented on page 47 related to the 2010 to 2017 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2010 through 2017 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020, on our consideration of Howard-Winneshiek 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 Howard-Winneshiek Community School 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 Howard-Winneshiek Community School District's internal control over financial reporting and compliance.

Hatcher, Nelson & Co., P.C.

Decorah, Iowa
January 17, 2020

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Management of the Howard-Winneshiek 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.

The intent of this discussion and analysis is to look at Howard-Winneshiek Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

2019 FINANCIAL HIGHLIGHTS

In total, net position increased by \$307,382 or 3.19% from fiscal year 2018. Net position in governmental activities increased by \$331,779, which represented an 3.54% increase from fiscal year 2018. The District's revenues increased by 4.71% or approximately \$766,000, with property taxes increasing by about \$714,000, and local option sales tax and surtax increasing by about \$79,000 and unrestricted state grants decreasing by \$255,000, and other revenues increasing by \$68,000. District program expenses decreased by .05% or about \$8,143. The District also decreased expenses for other instruction during the year. Net position in the business-type activities, which represents the District's food service operations decreased \$24,397, which represented a 8.52% decrease from fiscal year 2018. The decrease is due to expenses outpacing revenue.

General fund revenues (which include the instructional support fund) accounted for \$14,600,645 in revenue or 85.91% of all governmental revenues. General fund expenditures (which include the instructional support fund) accounted for \$14,838,212 in expenditures or 86.59% of all governmental expenditures.

USING THIS ANNUAL REPORT

These statements are organized so the reader can understand Howard-Winneshiek Community School District as a financial whole or as an entire operating entity. The annual report consists of a series of financial statements, notes to those 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 Howard-Winneshiek 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 services were financed in the short term as well as what remains for future spending. Fund financial statements report Howard-Winneshiek Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. The remaining financial statements provide information about activities for which Howard-Winneshiek 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.

USING THIS ANNUAL REPORT (Continued)

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of changes in the District's total OPEB liability, related ratios and notes.

Other supplementary information provides detailed information about the nonmajor funds, the individual agency fund, and compares governmental fund activity to prior years. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* most of the District's programs and services are reported 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 uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal year 2019 are the general fund, and the statewide sales, services and use tax-capital project fund.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

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. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps one to 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 funds.

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

- 3) *Fiduciary fund*: the District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund includes the following:

- *Agency fund*: this is a fund through which the District administers and accounts for certain monies as a fiscal agent.

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

The required financial statement for the fiduciary fund includes a statement of 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

As noted earlier, net position may serve over time as a useful indicator of financial position. The District's net position at the end of fiscal year 2019 for governmental activities were \$9,696,020 and for business-type activities were \$261,838 an increase of 3.54% and a decrease of 8.52% from the previous fiscal year, respectively. The following is a summary perspective of the statement of net position of the District as a whole:

	Condensed Statement of Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 14,218	\$ 13,717	\$ 459	\$ 464	\$ 14,677	\$ 14,181
Capital assets	13,259	13,298	68	82	13,327	13,380
Total assets	27,477	27,015	527	546	28,004	27,561
Deferred outflows of resources	1,856	2,125	43	55	1,899	2,180
Current liabilities	2,805	2,393	70	71	2,875	2,464
Noncurrent liabilities	8,825	9,755	224	235	9,049	9,990
Total liabilities	11,630	12,148	294	306	11,924	12,454
Deferred inflows of resources	8,007	7,628	14	9	8,021	7,637
Net position:						
Net investment in capital assets	11,659	11,308	68	82	11,727	11,390
Restricted	3,604	3,279			3,604	3,279
Unrestricted (deficit)	(5,567)	(5,223)	194	204	(5,373)	(5,019)
Total net position	\$ 9,696	\$ 9,364	\$ 262	\$ 286	\$ 9,958	\$ 9,650

The District's total net position increased 3.19% or approximately \$308,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$325,000 or 9.91%, over the prior year. The increase was primarily a result of an increase in school infrastructure and categorical funding.

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 approximately \$354,000 or 7.05%. The reduction in unrestricted net position was primarily a result of the decrease in the District's total bonds payable.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net position for the years ended June 30, 2019 and 2018 as shown below:

	Changes in Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenue:						
Charges for service	\$ 654	\$ 414	\$ 313	\$ 320	\$ 967	\$ 734
Operating grants	2,693	2,548	444	430	3,137	2,978
General revenue:						
Property taxes	7,232	6,518			7,232	6,518
Sales tax and surtax	1,192	1,113			1,192	1,113
Unrestricted state grants	4,990	5,245			4,990	5,245
Unrestricted investment earnings	96	322	8	4	104	326
Gain on the sale of capital assets	4	3			4	3
Other revenue	179	111			179	111
Total revenues	17,040	16,274	765	754	17,805	17,028
Program expenses:						
Instruction	9,915	10,305			9,915	10,305
Student support	5,054	4,830			5,054	4,830
Non-instructional programs	5	6	789	786	794	792
Other expenses	1,734	1,575			1,734	1,575
Total expenses	16,708	16,716	789	786	17,497	17,502
Increase (decrease) in net position	332	(442)	(24)	(32)	308	(474)
Net position, beginning of year	9,364	9,806	286	318	9,650	10,124
Net position, end of year	\$ 9,696	\$ 9,364	\$ 262	\$ 286	\$ 9,958	\$ 9,650

In fiscal year 2019, property tax and unrestricted state grants accounted for 71.7% of governmental activities revenues while charges for service and operating grants accounted for 98.95% of business-type activities. The District's total revenues were approximately \$17.8 million, of which approximately \$17 million was for governmental activities and less than \$1 million was for business-type activities.

As shown above, the District as a whole experienced an 4.6% increase in revenues and a .03% decrease in expenses. Property tax revenues increased approximately \$714,000. The decrease in expenses is primarily related to decreases in other instruction.

INDIVIDUAL FUND ANALYSIS

The Howard-Winneshiek Community School District uses fund accounting on the modified accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Highlights

As the District completed the year, its governmental funds reported a combined fund balance of \$4,594,242, a \$136,526 decrease from the 2018 fiscal year end balance of \$4,730,768.

- The general fund expenditures increased during fiscal year 2019 for instruction while revenues increased for property taxes. The ending fund balance showed a decrease of \$249,901 from the prior year.
- The statewide sales, services and use tax-capital project fund generated more revenue in fiscal year 2019 from Secure an Advanced Vision for Education (SAVE). Expenditures increased during the fiscal year in operation and maintenance. The ending fund balance showed an increase of \$118,857 from the prior year due to less transfers to the debt service fund.
- The debt service fund ending fund balance showed no change for fiscal year 2019. This is due to debt payments being fully offset by transfers in.

Proprietary Funds Highlights

The school nutrition fund net position decreased from \$286,235 at June 30, 2018 to \$261,838 at June 30, 2019, representing a decrease of approximately 8.52%. The decrease is due to revenues being outpaced by expenses, in particular an increase in supplies. The District increased meal prices to help cover this shortfall.

BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15 of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year. The District adopted one budget amendment, increasing budgeted expenditures by \$481,660.

The District's total revenues were \$33,387 more than total budgeted revenues, a variance of 0.19%. Local tax revenue increased in fiscal year 2019. However, state and federal sources decreased in fiscal year 2019, but overall there was an increase in actual revenues over budgeted.

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 the general fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal year 2019 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Actual Basis	Budgeted Amounts		Variance
		Original	Final	
Revenues:				
Local sources	\$ 8,441	\$ 8,377	\$ 8,377	\$ 64
State sources	8,394	8,395	8,395	(1)
Federal sources	925	955	955	(30)
Total revenues	\$ 17,760	\$ 17,727	\$ 17,727	\$ 33
Expenditures/Expenses:				
Instruction	\$ 10,619	\$ 10,333	\$ 10,774	\$ 155
Support services	4,719	4,921	4,986	267
Non-instructional programs	794	847	827	33
Other expenditures	1,793	1,930	1,926	133
Total expenditures/expenses	\$ 17,925	\$ 18,031	\$ 18,513	\$ 588

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the District's governmental activities had invested \$13,258,683 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment and classroom equipment. The District had depreciation expense of \$891,515 for fiscal year 2019 and total accumulated depreciation of \$11,867,734 as of June 30, 2019. The District's business-type activities had invested \$67,940 (net of accumulated depreciation) in capital assets of equipment. The District had depreciation expense of \$13,621 for fiscal year 2019 and total accumulated depreciation of \$284,294 as of June 30, 2019. More detailed information about capital assets is available in Note 5 to the financial statements. The following chart shows the comparison in capital assets for 2019 and 2018.

	Capital Assets (Net of Depreciation) (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 801	\$ 801			\$ 801	\$ 801
Land improvements	1,100	660			1,100	660
Buildings	9,175	9,386			9,175	9,386
Furniture and equipment	2,183	2,451	\$ 68	\$ 82	2,251	2,533
Total	\$ 13,259	\$ 13,298	\$ 68	\$ 82	\$ 13,327	\$ 13,380

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

As of June 30, 2019, the District had \$1,805,261 in long-term debt outstanding compared to \$2,401,351 from the prior year. More detailed information about the District's long-term debt can be found in Note 6 to the financial statements. The following chart shows the debt comparison between 2019 and 2018.

	<u>Long-term Debt Obligations</u>			<u>Balance</u> <u>June 30, 2019</u>
	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	
Bonds/Capital Loan Notes:				
2017 Tax Revenue Bond	\$ 1,306,619		\$ 226,224	\$ 1,080,395
Total bonds/capital loan notes	1,306,619	\$ -	226,224	1,080,395
Other Liabilities:				
Capital leases	682,458		163,729	518,729
Early retirement	412,274		206,137	206,137
Total other liabilities	1,094,732	-	369,866	724,866
Total long-term debt	\$ 2,401,351	\$ -	\$ 596,090	\$ 1,805,261

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Current Issues

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

- Declining enrollment has been a challenge for the District. Howard-Winneshiek Community School District is one of the many school districts in the state experiencing a decline in enrollment. Providing students with a 21st century learning experience, nationally recognized for being progressive and innovative, along with actively partnering with locally elected government officials, business and industry, the intent is that these actions will recruit and retain families to the region. It is important to note that the certified enrollment has been declining for the last 9 years with the exception of 2018. Certified enrollment (line 7 of Certified Enrollment Form) for 2018 was up 10.84 students (.9%); whereas 2019 was down 38 students (3.4%); 2017 was down 34 students (2.9%) compared to the District's enrollment decline of 3 students (0.3%) in 2016.
- Utilizing Secure an Advanced Vision for Education (SAVE) and Property Plant and Equipment Levy (PPEL) funding, the District is continuously upgrading the physical plant to provide a quality learning experience for students. It is recognized that the physical plant is a contributing factor for families choosing to have their students attend Howard-Winneshiek Community School District. Due to the Bond Referendum failure, facility projects will be prioritized based on the funds available at the time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of Howard-Winneshiek Community School 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, please contact Ms. Robyn Lane, Business Manager and District Secretary/Treasurer, Howard-Winneshiek Community School District, 1000 Schroder Drive, Cresco, Iowa, 52136.

HOWARD-WINNESHIK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,163,817	\$ 390,169	\$ 6,553,986
Receivables:			
Property tax:			
Delinquent	44,711		44,711
Succeeding year	7,028,924		7,028,924
Accounts	29,706	4,275	33,981
Prepaid expenses	53,955		53,955
Due from other governments	875,708	39,149	914,857
Inventories	1,838	25,804	27,642
Other investments	20,000		20,000
Capital assets, non-depreciable	801,220		801,220
Capital assets, net of accumulated depreciation	12,457,463	67,940	12,525,403
Total assets	27,477,342	527,337	28,004,679
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,775,339	40,960	1,816,299
OPEB related deferred outflows	80,430	2,232	82,662
Total deferred outflows of resources	1,855,769	43,192	1,898,961
Total assets and deferred outflows of resources	\$ 29,333,111	\$ 570,529	\$ 29,903,640
LIABILITIES			
Accounts payable	\$ 569,535	\$ 4,000	\$ 573,535
Salaries and benefits payable	1,584,473	53,273	1,637,746
Interfund payable (receivable)	30	(30)	-
Unearned revenues	550	13,173	13,723
Advances from grantors	28,254		28,254
Accrued interest payable	16,591		16,591
Long-term liabilities:			
Portion due within one year:			
Bonds payable	231,499		231,499
Capital leases	167,708		167,708
Early retirement	206,137		206,137
Portion due after one year:			
Bonds payable	848,896		848,896
Capital leases	351,021		351,021
Net pension liability	6,627,917	196,742	6,824,659
Total OPEB liability	997,374	27,676	1,025,050
Total liabilities	11,629,985	294,834	11,924,819
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	7,028,924		7,028,924
Pension related deferred inflows	569,538	13,857	583,395
Other	408,644		408,644
Total deferred inflows of resources	8,007,106	13,857	8,020,963
NET POSITION			
Net investment in capital assets	11,659,559	67,940	11,727,499
Restricted for:			
School infrastructure	1,142,688		1,142,688
Management levy purposes	854,602		854,602
Student activities	279,421		279,421
Entrepreneurial education activities	20,000		20,000
Physical plant and equipment	423,036		423,036
Categorical funding	884,210		884,210
Unrestricted (deficit)	(5,567,496)	193,898	(5,373,598)
Total net position	9,696,020	261,838	9,957,858
Total liabilities, deferred inflows of resources and net position	\$ 29,333,111	\$ 570,529	\$ 29,903,640

See Notes to Financial Statements.

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
GOVERNMENTAL ACTIVITIES			
Instruction:			
Regular instruction	\$ 6,500,875	\$ 206,015	\$ 1,680,369
Special instruction	2,264,644	104,281	442,005
Other instruction	1,149,173	244,879	9,978
	<u>9,914,692</u>	<u>555,175</u>	<u>2,132,352</u>
Support services:			
Student services	404,088	9,229	
Instructional staff services	556,894		
Administration services	1,518,262	88,528	
Operation and maintenance plant services	1,480,483		
Transportation services	1,094,112	1,000	
	<u>5,053,839</u>	<u>98,757</u>	<u>-</u>
Non-instructional	<u>4,840</u>	<u>-</u>	<u>-</u>
Other:			
Long-term debt interest	42,580		
Facilities acquisition	795,633		
AEA flowthrough	560,351		560,351
Depreciation (unallocated)*	336,100		
	<u>1,734,664</u>	<u>-</u>	<u>560,351</u>
Total governmental activities	<u>16,708,035</u>	<u>653,932</u>	<u>2,692,703</u>
BUSINESS-TYPE ACTIVITIES			
Non-instructional programs:			
Nutrition services	789,793	313,382	443,544
Total	<u>\$ 17,497,828</u>	<u>\$ 967,314</u>	<u>\$ 3,136,247</u>
GENERAL REVENUES			
Property taxes levied for:			
General purposes			
Management levy purposes			
Physical plant and equipment			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Gain on sale of capital assets			
Other			
Total general revenues			
Change in net position			
NET POSITION, beginning of year			
NET POSITION, end of year			

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

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (4,614,491)		\$ (4,614,491)
(1,718,358)		(1,718,358)
(894,316)		(894,316)
(7,227,165)	\$ -	(7,227,165)
(394,859)		(394,859)
(556,894)		(556,894)
(1,429,734)		(1,429,734)
(1,480,483)		(1,480,483)
(1,093,112)		(1,093,112)
(4,955,082)	-	(4,955,082)
(4,840)	-	(4,840)
(42,580)		(42,580)
(795,633)		(795,633)
-		-
(336,100)		(336,100)
(1,174,313)	-	(1,174,313)
(13,361,400)	-	(13,361,400)
-	(32,867)	(32,867)
(13,361,400)	(32,867)	(13,394,267)
6,334,652		6,334,652
336,522		336,522
560,572		560,572
1,192,036		1,192,036
4,990,343		4,990,343
95,493	8,470	103,963
4,372		4,372
179,189		179,189
13,693,179	8,470	13,701,649
331,779	(24,397)	307,382
9,364,241	286,235	9,650,476
\$ 9,696,020	\$ 261,838	\$ 9,957,858

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Capital Project Fund Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 3,485,971	\$ 1,172,935	\$ 1,520,904	\$ 6,179,810
Receivables:				
Property tax:				
Delinquent	40,167		4,544	44,711
Succeeding year	6,117,948		910,976	7,028,924
Accounts	18,565		11,141	29,706
Due from other funds			14,917	14,917
Due from other governments	576,912	94,448	204,348	875,708
Prepaid expenses	12,805		41,150	53,955
Inventory	1,838			1,838
Total assets	\$ 10,254,206	\$ 1,267,383	\$ 2,707,980	\$ 14,229,569
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 429,217	\$ 124,695	\$ 15,623	\$ 569,535
Salaries and benefits payable	1,584,473			1,584,473
Due to other funds	14,947			14,947
Unearned revenues	550			550
Advances from grantors	28,254			28,254
Total liabilities	2,057,441	124,695	15,623	2,197,759
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,117,948		910,976	7,028,924
Other	204,322		204,322	408,644
Total deferred inflows of resources	6,322,270	-	1,115,298	7,437,568
Fund balances:				
Nonspendable: prepaid expenses and inventory	14,643			14,643
Restricted for:				
Categorical funding	884,210			884,210
Management levy purposes			854,602	854,602
Student activities			279,421	279,421
Entrepreneurial education activities			20,000	20,000
Physical plant and equipment			423,036	423,036
School infrastructure		1,142,688		1,142,688
Other	3,495			3,495
Unassigned	972,147			972,147
Total fund balances	1,874,495	1,142,688	1,577,059	4,594,242
Total liabilities, deferred inflows of resources and fund balances	\$ 10,254,206	\$ 1,267,383	\$ 2,707,980	\$ 14,229,569

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances	\$	4,594,242
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation of: \$11,867,734		13,258,683
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		4,007
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.		(16,591)
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	\$ 1,855,769	
Deferred inflows of resources	(569,538)	1,286,231
Long-term liabilities, including bonds payable and accrued interest, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(1,080,395)	
Capital leases	(518,729)	
Early retirement	(206,137)	
Net pension liability	(6,627,917)	
Total OPEB liability	(997,374)	(9,430,552)
Net position of governmental activities per Exhibit A	\$	<u>9,696,020</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Capital Project Fund Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local sources:					
Local property tax	\$ 6,334,652			\$ 897,094	\$ 7,231,746
Tuition	310,296				310,296
Other	281,927	\$ 17,691		278,295	577,913
State sources	7,187,647	1,192,036		9,276	8,388,959
Federal sources	486,123				486,123
Total revenues	<u>14,600,645</u>	<u>1,209,727</u>	<u>\$ -</u>	<u>1,184,665</u>	<u>16,995,037</u>
EXPENDITURES					
Current:					
Instruction:					
Regular instruction	6,115,251			260,577	6,375,828
Special instruction	2,264,644				2,264,644
Other instruction	1,711,982			266,468	1,978,450
	<u>10,091,877</u>	<u>-</u>	<u>-</u>	<u>527,045</u>	<u>10,618,922</u>
Support services:					
Student services	404,088				404,088
Instructional staff services	483,964			72,930	556,894
Administration services	1,417,295			48,897	1,466,192
Operation and maintenance plant services	1,076,829	233,602		124,459	1,434,890
Transportation services	803,808			53,686	857,494
	<u>4,185,984</u>	<u>233,602</u>	<u>-</u>	<u>299,972</u>	<u>4,719,558</u>
Non-instructional	-	-	-	4,840	4,840
Other:					
Long-term debt:					
Principal			389,955		389,955
Interest and fiscal charges			46,676		46,676
Facilities acquisition		604,806		190,827	795,633
AEA flowthrough	560,351				560,351
	<u>560,351</u>	<u>604,806</u>	<u>436,631</u>	<u>190,827</u>	<u>1,792,615</u>
Total expenditures	<u>14,838,212</u>	<u>838,408</u>	<u>436,631</u>	<u>1,022,684</u>	<u>17,135,935</u>
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	<u>(237,567)</u>	<u>371,319</u>	<u>(436,631)</u>	<u>161,981</u>	<u>(140,898)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,583		436,631	14,917	454,131
Operating transfers (out)	(14,917)	(252,998)		(186,216)	(454,131)
Sale of capital assets		536		3,836	4,372
	<u>(12,334)</u>	<u>(252,462)</u>	<u>436,631</u>	<u>(167,463)</u>	<u>4,372</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	<u>(249,901)</u>	<u>118,857</u>	<u>-</u>	<u>(5,482)</u>	<u>(136,526)</u>
FUND BALANCES, beginning of year	<u>2,124,396</u>	<u>1,023,831</u>	<u>-</u>	<u>1,582,541</u>	<u>4,730,768</u>
FUND BALANCES, end of year	<u>\$ 1,874,495</u>	<u>\$ 1,142,688</u>	<u>\$ -</u>	<u>\$ 1,577,059</u>	<u>\$ 4,594,242</u>

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances - total governmental funds	\$	(136,526)
Amounts reported for governmental activities in the statement of activities are different because:		
An internal service fund is used by management to charge the costs of health insurance to individual funds. The change in net position in the internal service fund is reported with governmental activities in the statement of activities.		
		3,130
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays in the current year, as follows:		
Depreciation	\$	(891,515)
Capital outlays		852,599
		<u>(38,916)</u>
Some revenues not collected for several years, therefore is not available to pay current expenditures, they were deferred in the governmental funds in the prior year.		
		(3,928)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
		389,955
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		4,096
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.		
		769,355
Early retirement payments, pension and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued, as follows:		
Early retirement		206,137
Pension expense		(834,254)
OPEB expense		(27,270)
		<u>(655,387)</u>
Change in net position of governmental activities per Exhibit B	\$	<u>331,779</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	School Nutrition Fund	Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash	\$ 390,169	\$ 4,007
Accounts receivable	4,275	
Due from other governments	39,149	
Due from other funds	30	
Inventories	25,804	
Total current assets	459,427	4,007
NONCURRENT ASSETS		
Furniture and equipment	352,234	
Less accumulated depreciation	(284,294)	
Total noncurrent assets	67,940	-
Total assets	527,367	4,007
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	40,960	
OPEB related deferred outflows	2,232	
Total deferred outflows of resources	43,192	-
Total assets and deferred outflows of resources	\$ 570,559	\$ 4,007
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 4,000	
Salaries and benefits payable	53,273	
Unearned revenues	13,173	
Total current liabilities	70,446	\$ -
NONCURRENT LIABILITIES		
Net pension liability	196,742	
Total OPEB liability	27,676	
Total noncurrent liabilities	224,418	-
Total liabilities	294,864	-
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	13,857	-
NET POSITION		
Net investment in capital assets	67,940	
Unrestricted	193,898	4,007
Total net position	261,838	4,007
Total liabilities, deferred inflows of resources and net position	\$ 570,559	\$ 4,007

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	School Nutrition Fund	Internal Service Fund
OPERATING REVENUES		
Local sources:		
Charges for services	\$ 313,382	\$ 22,465
OPERATING EXPENSES		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	340,814	
Purchased services	3,191	
Supplies	432,167	
Depreciation	13,621	
Other		19,335
Total operating expenses	789,793	19,335
Operating (loss) income	(476,411)	3,130
NONOPERATING REVENUES		
Interest income	8,470	
State sources	5,048	
Federal sources	438,496	
Total nonoperating revenues	452,014	-
Change in net position	(24,397)	3,130
Net position, beginning of year	286,235	877
Net position, end of year	\$ 261,838	\$ 4,007

See Notes to Financial Statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	School Nutrition Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of lunches and breakfasts	\$ 251,179	
Cash received from miscellaneous operating activities	58,041	
Cash paid to employees for services	(238,960)	
Cash paid to suppliers for goods or services	(383,150)	\$ (19,335)
Cash paid on employees' behalf	(94,583)	
Other payments	(2,891)	22,465
	<u>(410,364)</u>	<u>3,130</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and federal grants received	394,787	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	8,470	-
	<u>(7,107)</u>	<u>3,130</u>
Net (decrease) increase in cash		3,130
CASH, beginning of year	397,276	877
CASH, end of year	<u>\$ 390,169</u>	<u>\$ 4,007</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ (476,411)	\$ 3,130
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	13,621	
Commodities used	48,757	
Decrease in accounts receivable	369	
Increase in due from other governments	(4,837)	
Decrease in prepaid expenses	300	
Decrease in inventories	2,335	
Decrease in accounts payable	(2,075)	
Increase in salaries and benefits payable	1,059	
Increase in unearned revenues	306	
Decrease in net pension liability	(10,607)	
Increase in OPEB liability	505	
Decrease in deferred outflows of resources	11,752	
Increase in deferred inflows of resources	4,562	
	<u>(410,364)</u>	<u>3,130</u>
Net cash (used in) provided by operating activities	<u>\$ (410,364)</u>	<u>\$ 3,130</u>

Non-cash, noncapital financing activities:

During the year ended June 30, 2019, the District received commodities valued at \$48,757.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2019

	Agency Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 11,703
Receivables	312
Total assets	\$ 12,015
LIABILITIES	
LIABILITIES	
Due to other governments	\$ 12,015
Total liabilities	\$ 12,015

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Howard-Winneshiek Community School District (the District) is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve, including special education and pre-kindergarten. The geographic area served includes the Cities of Cresco, Ridgeway, Lime Springs and Elma, Iowa and the predominate agricultural territory in Howard and Winneshiek Counties. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fundraising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

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

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Howard-Winneshiek 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

Jointly Governed Organizations

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

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, the statewide sales, services and use tax-capital project fund, and the debt service fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

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.

Capital Projects Funds

The capital projects funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds. The major fund in this category is the statewide sales, services and use tax.

Debt Service Fund

The debt service fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Proprietary Funds

Enterprise Fund

The District's proprietary fund is the school nutrition fund. This fund is used to account for the food service operations of the District.

Internal Service Fund

The flexible benefits fund is used to account for the District's flexible benefits plans.

Fiduciary Fund

Agency Fund

The District's fiduciary fund, which focuses on net position and changes in net position. The District's fiduciary fund includes the agency fund which is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The agency fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

1. Nature of Operations and Significant Accounting Policies (Continued)**b. Significant Accounting Policies (Continued)***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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash and Pooled Investments

The District maintains one primary demand deposit account for each fund through which the cash resources are processed. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

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 to the County Auditor by April 15 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 1 1/2% 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.

Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Buildings	\$ 25,000
Land improvements	25,000
Intangibles	200,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	5-50 years
Land improvements	5-20 years
Intangibles	5-10 years
Furniture and equipment	3-20 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. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2019 was used to calculate the salaries payable.

Advances from Grantors

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Unearned Revenues

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenues consist primarily of hot lunch proceeds collected for the next school year.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability as of June 30, 2019.

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. Early retirement liability has been paid primarily by the nonmajor governmental management levy fund.

Pensions

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

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the general fund and the enterprise fund-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 the succeeding year property tax receivable and the other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, and unrecognized items not yet charged to pension expense.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Fund Balance

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

Nonspendable - amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned - is the remaining fund balance, which is not included in other spendable classifications.

Net Position

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

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Pooled Investments (Continued)

At June 30, 2019, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) diversified portfolio which are valued at an amortized cost of \$225 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAA by Standard & Poor's Financial Services.

In addition, the District's Entrepreneurial Education Fund is authorized by statute to invest moneys of a student organization or club in entrepreneurial activities. The investment into Lime Springs Beef, LLC is unrated, and the fair market value of the investment cannot be determined.

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2019:

Governmental:	
General fund:	
Open enrollment	\$ 62,224
Title I	83,257
Non-public transportation	134,593
Title IIA	5,817
Title	5,469
Income surtax	204,322
Facilities and Transportation Director sharing	42,663
Other	38,567
	576,912
Capital projects funds:	
Statewide sales, services and use tax	94,448
	204,348
Total due from other governments	\$ 875,708
Business-type activities:	
School nutrition fund	\$ 39,149

4. Interfund Transfers

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

	Transfers In	Transfers Out
General fund	\$ 2,583	\$ 14,917
Debt service fund	436,631	None
Capital projects funds:		
Statewide sales, services and use tax fund	None	252,998
Nonmajor governmental-capital projects funds:		
Student activity	14,917	2,583
Physical plant and equipment levy fund	None	183,633
	\$ 454,131	\$ 454,131

Transfers from the statewide sales, services and use tax fund and physical plant and equipment levy fund to the debt service fund were to move resources to help pay bond expenses. Transfers from the student activity fund to/from general fund were for reimbursement for payment made or revenues earned by the student activity fund.

NOTES TO FINANCIAL STATEMENTS

5. Capital Assets

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Land	\$ 801,220	\$ None	\$ None	\$ 801,220
Total capital assets not being depreciated	801,220	None	None	801,220
Capital assets being depreciated:				
Land improvements	1,550,570	546,795	None	2,097,365
Buildings	17,013,131	None	None	17,013,131
Furniture and equipment	4,933,752	305,804	24,855	5,214,701
Total capital assets being depreciated	23,497,453	852,599	24,855	24,325,197
Less accumulated depreciation for:				
Land improvements	890,500	107,224	None	997,724
Buildings	7,627,279	210,862	None	7,838,141
Furniture and equipment	2,483,295	573,429	24,855	3,031,869
Total accumulated depreciation	11,001,074	891,515	24,855	11,867,734
Total capital assets being depreciated, net	12,496,379	(38,916)	None	12,457,463
Governmental activities:				
Capital assets, net	\$ 13,297,599	\$ (38,916)	\$ None	\$ 13,258,683
Business-type activities:				
Furniture and equipment	\$ 352,234	\$ None	\$ None	\$ 352,234
Less accumulated depreciation	270,673	13,621	None	284,294
Business-type activities:				
Capital assets, net	\$ 81,561	\$ (13,621)	\$ None	\$ 67,940

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 216,698
Other	23,322
Support services:	
Administration	33,184
Operation and maintenance plant services	45,593
Transportation services	236,618
Unallocated depreciation	336,100
Total depreciation expense-governmental activities	\$ 891,515
Business-type activities:	
Food services	\$ 13,621

NOTES TO FINANCIAL STATEMENTS

6. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Bonds:					
2017 Tax Revenue Bond	\$ 1,306,619	\$ None	\$ 226,224	\$ 1,080,395	\$ 231,499
Other liabilities:					
Early retirement	412,274	None	206,137	206,137	206,137
Capital leases	682,458	None	163,729	518,729	167,708
Total other liabilities	1,094,732	None	369,866	724,866	373,845
Governmental activities:					
Long-term liabilities	\$ 2,401,351	\$ None	\$ 596,090	\$ 1,805,261	\$ 605,344

a. Revenue Bonds

The District has pledged future statewide sales, services and use tax revenue to repay the bonds issued in December 2017. The bonds were issued for the purpose of refinancing the Series 2009 Bond which was issued for the purpose of financing school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. 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 21% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$1,135,664. For the current year, principal of \$226,224 and interest of \$26,772 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,192,036.

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

- 1) \$300,000 of the proceeds from the issuance of revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- 2) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- 3) Moneys 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.
- 4) Any moneys remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2019. The required reserve account was established by the District and no transfers were made to the sinking account.

\$1,420,000 2017 School Infrastructure Local Option Sales and Services Tax Revenue Bonds, with principal due February 1, 2018 through December 1, 2023 plus interest monthly with interest rate of the bonds of 2.17%. The local option sales and services tax revenue bonds were issued for the purpose of providing funds for the items listed within the revenue purpose statement. Bonds maturing after June 1, 2020 are callable upon terms of par plus accrued interest to date of call.

NOTES TO FINANCIAL STATEMENTS

6. Long-term Debt Obligations (Continued)

a. Revenue Bonds (Continued)

Interest costs incurred and charged to expenses was \$26,772 for the year ended June 30, 2019. A summary of the bond principal and interest maturities is as follows:

Year Ending June 30,	Governmental Activities		
	Tax Revenue Bonds		
	Principal	Interest	Total
2020	\$ 231,499	\$ 21,498	\$ 252,997
2021	236,701	16,298	252,999
2022	241,962	11,038	253,000
2023	247,338	5,659	252,997
2024	122,895	776	123,671
Total	\$ 1,080,395	\$ 55,269	\$ 1,135,664

At June 30, 2019, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 980,309,722
Debt limit - 5% of total assessed valuation	\$ 49,015,486
Debt applicable to debt limit:	
General obligation:	
Bonded debt outstanding	(1,080,395)
Capital leases	(518,729)
Legal debt margin	\$ 47,416,362

b. Early Retirement

The District offered a voluntary early retirement plan to its certified employees for the year ended June 30, 2017. Eligible employees must have completed at least ten years of service to the District and had to be at least age 55 by June 30 in the year of retirement. The application for early retirement under the plan was subject to approval by the Board of Education.

2017 Early Retirement Plan

Early retirement benefits equal the employee's calendar year 2017 gross wages, less any lawful deductions. In addition, the retiring employee shall be entitled to payment for any accrued sick leave at the rate of \$90 per unused day for licensed employees or \$65 per unused day for nonlicensed employees.

The policy requires early retirement benefits be paid in three equal installments beginning in August 2017. The second and third payments will be paid in August 2018 and August 2019, respectively.

As of June 30, 2019, the District has obligations to nine participants with a total liability of \$206,137. Actual early retirement expenditures for the year ended June 30, 2019 totaled \$206,137.

6. Long-term Debt Obligations (Continued)

c. Capital Leases

The District is obligated under a lease accounted for as a capital lease for computers. The leased assets are accounted for in the general fund. Capital assets under the capital lease totaled \$354,644 at June 30, 2019. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2019.

Year Ending June 30,	Amount
2020	\$ 183,633
2021	183,633
2022	183,634
	550,900
Less imputed interest	(32,171)
Present value of minimum lease payments	\$ 518,729

7. Pension Plan

Plan Description

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

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

Pension Benefits

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

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

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

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

7. Pension Plan (Continued)

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 totaled \$789,196.

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 \$6,824,659 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 0.107844%, which was an increase of 0.000083% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$860,056. 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	\$ 37,419	\$ 154,247
Changes of assumptions	973,580	None
Net difference between projected and actual earnings on IPERS' investments	None	187,520
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	16,104	241,628
District contributions subsequent to the measurement date	789,196	None
Total	\$ 1,816,299	\$ 583,395

7. **Pension Plan (Continued)**

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$789,196 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 379,203
2021	152,038
2022	(76,822)
2023	(4,540)
2024	<u>(6,171)</u>
Total	<u>\$ 443,708</u>

There were no non-employer contributing entities to 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 a 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.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (Continued)

Actuarial Assumptions (Continued)

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, 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 (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$ 11,582,818	\$ 6,824,659	\$ 2,833,271

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 had no payables to report for the defined benefit pension plan for legally required District contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

8. 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 medical and dental plans are eligible to continue healthcare benefits upon retirement after attaining at least age 55. Coverage during retirement continues in the group medical and dental plans up to age 65. The group medical benefits are provided through a fully insured plan with partial self-funding to a lower deductible. Retirees covered by the plan make contributions toward the plan premiums.

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	11
Active employees	140
 Total	 151

Total OPEB Liability

The District's total OPEB liability of \$1,025,050 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, based on general wage growth assumption of IPERS actuarial valuation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	8.00% initial rate decreasing by .25% annually 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.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement.

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

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 1,006,311
Changes for the year:	
Service cost	49,363
Interest cost	36,590
Benefit payments	(67,214)
Net changes	18,739
Total OPEB liability end of year	\$ 1,025,050

Changes of assumptions reflect no change in the discount rate of 3.58% from fiscal year 2018 to fiscal year 2019.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 1,101,832	\$ 1,025,050	\$ 953,706

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

The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.75%) or 1% higher (8.75%) than the current healthcare cost trend rates.

	1% Decrease (6.75%)	Healthcare Cost Trend Rate (7.75%)	1% Increase (8.75%)
Total OPEB liability	\$ 934,053	\$ 1,025,050	\$ 1,130,571

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$95,241. 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	\$ 28,931
Changes in assumptions	53,731
Total	\$ 82,662

8. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 9,288
2021	9,288
2022	9,288
2023	9,288
2024	9,288
Thereafter	<u>36,222</u>
	<u>\$ 82,662</u>

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. There were three Wellmark Blue Cross/Blue Shield plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1-between \$500 and \$6,000 for single coverage and \$1,000 and \$12,000 for family coverage,
- Plan 2-between \$1,000 and \$6,850 for single coverage and \$2,000 and \$13,700 for family coverage,
- Plan 3-between \$2,000 and \$6,000 for single coverage and \$4,000 and \$12,000 for family coverage.

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2019, since the pool arrangement allows the trust to make additional assessments to members. The District’s share of the trust’s liability for any unreported claim or assessment at June 30, 2019 was unavailable as of January 17, 2020. The District’s contributions to the trust for the years ended June 30, 2019, 2018, and 2017 were \$1,882,214, \$1,808,318, and \$1,684,860, respectively, which equaled the required contributions each year.

The District has dental coverage insurance under this 28E organization for employee dental coverage. The District contributes to the self-insurance. Professional services through the plan for the participants are limited to a combined maximum payment of \$1,000 per member per calendar year. The employees paid \$28,238 in dental insurance for the year ended June 30, 2019.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the District’s financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

Howard-Winneshiek Community School District is exposed to various risks of loss related to torts; theft of; 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.

NOTES TO FINANCIAL STATEMENTS

11. Leases

The District has entered into various rental agreements with the following under the terms as described below.

- Northeast Iowa Community College rents space in the Cresco Center Building with semiannual payments of \$15,000. This agreement expires June 2020.
- The District rents a copier from Marco, Inc. with monthly payments of \$3,026. The agreement expires October 2019.

Total lease expense for the year ended June 30, 2019 was \$36,312.

12. 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 \$560,351 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.

13. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

14. Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance. The following is a schedule of the categorical funding restricted in the general fund at June 30, 2019.

Program	Amount
Talented and Gifted Program	\$ 35,509
Teacher Leadership	164,558
Iowa Early Intervention	172,463
Early Literacy Reading	89,382
Transportation	156,829
School Ready Children	248
Teacher Quality	171,522
Market Factor	3,713
STEM	47
Microsoft	32,213
Professional Development	57,726
	\$ 884,210

NOTES TO FINANCIAL STATEMENTS

15. Net Position Deficit

The governmental unrestricted fund has a deficit net position as of June 30, 2019. The deficit was incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*.

16. Tax Abatements

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

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Elma	Urban renewal and economic development projects	\$ 2,945

17. Prospective Accounting Changes

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the District. These statements which may impact the District are as follows:

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective 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 the specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ending June 30, 2021. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

18. Subsequent Events

The District received notification during the year ending June 30, 2020, Lime Springs Beef, LLC will be foreclosed. This \$20,000 investment is included in the financial statements as the entrepreneurial education fund as other investments, which has been deemed to be worthless.

Management has evaluated subsequent events through January 17, 2020, the date on which the financial statements were available to be issued.

Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 For the Year Ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
REVENUES			
Local sources	\$ 8,119,955	\$ 321,852	\$ 8,441,807
State sources	8,388,959	5,048	8,394,007
Federal sources	486,123	438,496	924,619
Total revenues	<u>16,995,037</u>	<u>765,396</u>	<u>17,760,433</u>
EXPENDITURES/EXPENSES			
Instruction	10,618,922		10,618,922
Support services	4,719,558		4,719,558
Non-instructional programs	4,840	789,793	794,633
Other expenditures	1,792,615		1,792,615
Total expenditures/expenses	<u>17,135,935</u>	<u>789,793</u>	<u>17,925,728</u>
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES/EXPENSES	(140,898)	(24,397)	(165,295)
OTHER FINANCING SOURCES (USES), NET	<u>4,372</u>		<u>4,372</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(136,526)	(24,397)	(160,923)
FUND BALANCES, beginning of year	<u>4,730,768</u>	<u>286,235</u>	<u>5,017,003</u>
FUND BALANCES, end of year	<u>\$ 4,594,242</u>	<u>\$ 261,838</u>	<u>\$ 4,856,080</u>

See Notes to Required Budgetary Information and Independent Auditor's Report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 8,376,877	\$ 8,376,877	\$ 64,930
8,395,062	8,395,062	(1,055)
955,107	955,107	(30,488)
<u>17,727,046</u>	<u>17,727,046</u>	<u>33,387</u>
10,333,017	10,774,248	155,326
4,920,689	4,985,996	266,438
847,290	827,429	32,796
1,930,459	1,925,442	132,827
<u>18,031,455</u>	<u>18,513,115</u>	<u>587,387</u>
(304,409)	(786,069)	620,774
<u>(1)</u>	<u>(1)</u>	<u>4,373</u>
(304,410)	(786,070)	625,147
<u>4,730,768</u>	<u>4,730,768</u>	<u>286,235</u>
<u>\$ 4,426,358</u>	<u>\$ 3,944,698</u>	<u>\$ 911,382</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the 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 comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the agency fund. 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.

During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$481,660.

See Independent Auditor's Report.

HOWARD-WINNESHIK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Five Years*
(In Thousands)

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.107844%	0.107761%	0.107559%	0.117669%	0.117805%
District's proportionate share of the net pension liability	\$ 6,825	\$ 7,178	\$ 6,769	\$ 5,813	\$ 4,768
District's covered payroll	\$ 8,097	\$ 8,045	\$ 7,695	\$ 8,148	\$ 7,862
District's proportionate share of the net pension liability as a percentage of its covered payroll	84.29%	89.22%	87.97%	71.34%	60.65%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See Notes to Required Pension Liability Information and Independent Auditor's Report.

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Ten Years
(In Thousands)

	2019	2018	2017	2016
Statutorily required contribution	\$ 790	\$ 723	\$ 718	\$ 687
Contributions in relation to the statutorily required contribution	(790)	(723)	(718)	(687)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,369	\$ 8,097	\$ 8,045	\$ 7,695
Contributions as a percentage of covered payroll	9.44%	8.93%	8.92%	8.93%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

2015	2014	2013	2012	2011	2010
\$ 728	\$ 702	\$ 643	\$ 583	\$ 510	\$ 528
(728)	(702)	(643)	(583)	(510)	(528)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,148	\$ 7,862	\$ 7,416	\$ 7,231	\$ 7,337	\$ 7,944
8.93%	8.93%	8.67%	8.06%	6.95%	6.65%

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
For the 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.

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
 For the Last Two Years

	2019	2018
Service cost	\$ 49,363	\$ 47,809
Interest cost	36,590	35,633
Difference between expected and actual experiences		35,433
Changes in assumptions		65,804
Benefit payments	(67,214)	(49,368)
Net change in total OPEB liability	18,739	135,311
Total OPEB liability beginning of year	1,006,311	871,000
Total OPEB liability end of year	\$ 1,025,050	\$ 1,006,311
Covered-employee payroll	\$ 6,430,746	\$ 6,415,404
Total OPEB liability as a percentage of covered-employee payroll	15.94%	15.69%

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%

See Independent Auditor's Report.

Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	Special Revenue Funds	Capital Project Fund Physical Plant and Equipment Levy	Total Nonmajor Funds
ASSETS			
Cash and pooled investments	\$ 1,138,383	\$ 382,521	\$ 1,520,904
Receivables:			
Property tax:			
Delinquent	2,206	2,338	4,544
Succeeding year	529,607	381,369	910,976
Accounts	11,141		11,141
Due from other funds	14,917		14,917
Due from other governments	13	204,335	204,348
Prepaid expenses	725	40,425	41,150
Total assets	\$ 1,696,992	\$ 1,010,988	\$ 2,707,980
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 13,362	\$ 2,261	\$ 15,623
Total liabilities	13,362	2,261	15,623
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	529,607	381,369	910,976
Other		204,322	204,322
Total deferred inflows of resources	529,607	585,691	1,115,298
Fund balances:			
Restricted for:			
Management levy purposes	854,602		854,602
Student activities	279,421		279,421
Entrepreneurial education activities	20,000		20,000
Physical plant and equipment		423,036	423,036
Total fund balances	1,154,023	423,036	1,577,059
Total liabilities, deferred inflows of resources and fund balances	\$ 1,696,992	\$ 1,010,988	\$ 2,707,980

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2019

	Special Revenue Funds	Capital Project Fund Physical Plant and Equipment Levy	Total Nonmajor Funds
REVENUES			
Local sources:			
Property taxes	\$ 336,522	\$ 560,572	\$ 897,094
Other	262,339	15,956	278,295
State sources	4,467	4,809	9,276
Total revenues	603,328	581,337	1,184,665
EXPENDITURES			
Current:			
Instruction:			
Regular instruction	260,577		260,577
Other instruction	266,468		266,468
Support services:			
Instructional staff services		72,930	72,930
Administration services	4,076	44,821	48,897
Operation and maintenance plant services	81,731	42,728	124,459
Transportation services	47,137	6,549	53,686
Non-instructional	4,840		4,840
Other:			
Facilities acquisition		190,827	190,827
Total expenditures	664,829	357,855	1,022,684
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(61,501)	223,482	161,981
OTHER FINANCING SOURCES (USES)			
Operating transfers in	14,917		14,917
Operating transfers out	(2,583)	(183,633)	(186,216)
Sale of capital assets		3,836	3,836
Net other financing sources (uses)	12,334	(179,797)	(167,463)
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	(49,167)	43,685	(5,482)
FUND BALANCES, beginning of year	1,203,190	379,351	1,582,541
FUND BALANCES, end of year	\$ 1,154,023	\$ 423,036	\$ 1,577,059

See Independent Auditor's Report.

HOWARD-WINNESHEIK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2019

	Management Levy	Student Activity	Entrepreneurial Education	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 852,975	\$ 265,408	\$ 20,000	\$ 1,138,383
Receivables:				
Property tax:				
Delinquent	2,206			2,206
Succeeding year	529,607			529,607
Accounts receivable		11,141		11,141
Due from other funds		14,917		14,917
Due from other governments	13			13
Prepaid expenses		725		725
	<u>1,384,801</u>	<u>292,191</u>	<u>20,000</u>	<u>1,696,992</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 592	\$ 12,770	\$ -	\$ 13,362
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	529,607	-	-	529,607
Fund balances:				
Restricted	854,602	279,421	20,000	1,154,023
	<u>1,384,801</u>	<u>292,191</u>	<u>20,000</u>	<u>1,696,992</u>
	<u>1,384,801</u>	<u>292,191</u>	<u>20,000</u>	<u>1,696,992</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2019

	Management Levy	Student Activity	Entrepreneurial Education	Total Nonmajor Special Revenue Funds
REVENUES				
Local sources:				
Local property tax	\$ 336,522			\$ 336,522
Other	17,460	\$ 244,879		262,339
State sources	4,467			4,467
Total revenues	358,449	244,879	\$ -	603,328
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	260,577			260,577
Other instruction		266,468		266,468
Support services:				
Administration services	4,076			4,076
Operation and maintenance plant services	81,731			81,731
Transportation services	47,137			47,137
Non-instructional	4,840			4,840
Total expenditures	398,361	266,468	-	664,829
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(39,912)	(21,589)	-	(61,501)
OTHER FINANCING SOURCES (USES)				
Operating transfers in		14,917		14,917
Operating transfers out		(2,583)		(2,583)
Net other financing sources (uses)	-	12,334	-	12,334
(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND FINANCING USES	(39,912)	(9,255)		(49,167)
FUND BALANCES, beginning of year	894,514	288,676	20,000	1,203,190
FUND BALANCES, end of year	\$ 854,602	\$ 279,421	\$ 20,000	\$ 1,154,023

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2019

	Balance June 30, 2018	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2019
High School Athletic General	\$ 1,124		\$ 1,124	\$ -
High School Football	7,301	\$ 28,899	36,200	-
Girls High School Basketball	-	11,266	11,266	-
Boys High School Basketball	-	7,946	7,946	-
High School Wrestling	-	13,452	13,452	-
High School Baseball	-	8,829	8,829	-
High School Golf	-	3,344	3,344	-
High School Track	-	10,874	10,874	-
High School Softball	-	6,782	6,782	-
High School Volleyball	-	5,676	5,676	-
High School Cross Country	-	6,597	6,597	-
Weight/Training Room	-	3,400	3,400	-
HS Yearbook (inactive)	(27,594)	27,594		-
HS Yearbook	7,561	15,109	15,690	6,980
HS Honor Roll	1,413		1,413	-
Business Club	244		244	-
Alternative	43		43	-
HS Trapshooting	17		17	-
HS Concessions	2,469		2,469	-
Crest News	931		931	-
FFA	104,899	43,859	46,622	102,136
Picture Fund	1,874		1,874	-
Language Club	278		278	-
National Honor Society	385		385	-
Robe Fund	85			85
HS Student Council	8,142	7,061	5,192	10,011
SADD	101		101	-
Wellness Fair Luther	590		590	-
Junior Prom	1,448	1,040	993	1,495
Cresco Elementary	47,469	35,858	54,776	28,551
JH Drama	6,875	775	1,230	6,420
JH Vocal	18,329		149	18,180
JH Instrumental	16,782	4,019	3,418	17,383
JH Yearbook	587	1,160	949	798
JH Magazine Sales	-	4,849	4,849	-
JH Student Council	14,028	2,257	1,200	15,085
JH Honor Roll	533		533	-
JH Cheerleaders	863			863
HS Drama	10,423	6,294	3,375	13,342
HS Speech	-	2,172	2,172	-
HS Vocal	35,072	15,305	14,414	35,963
HS Instrumental	9,946	5,006	8,232	6,720
HS Winter Drumline	169		169	-
HS General Activity	441		441	-
Co-Ed Athletics	15,848	72,331	72,770	15,409
	<u>\$ 288,676</u>	<u>\$ 351,754</u>	<u>\$ 361,009</u>	<u>\$ 279,421</u>

See Independent Auditor's Report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
CURRENT ASSETS				
Cash	\$ 9,399	\$ 8,278	\$ 5,974	\$ 11,703
Receivables		312		312
Total assets	<u>\$ 9,399</u>	<u>\$ 8,590</u>	<u>\$ 5,974</u>	<u>\$ 12,015</u>
LIABILITIES				
Accounts payable	<u>\$ 9,399</u>	<u>\$ 8,590</u>	<u>\$ 5,974</u>	<u>\$ 12,015</u>

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Years Ended June 30,

	Modified Accrual Basis			
	2019	2018	2017	2016
REVENUES				
Local sources:				
Local property tax	\$ 7,231,746	\$ 6,926,631	\$ 6,677,252	\$ 6,472,589
Tuition	310,296	207,865	247,294	318,757
Other	577,913	640,092	646,004	562,824
State sources	8,388,959	8,340,927	8,309,890	8,262,836
Federal sources	486,123	561,053	443,448	506,527
Total revenues	\$ 16,995,037	\$ 16,676,568	\$ 16,323,888	\$ 16,123,533
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	\$ 6,375,828	\$ 5,886,856	\$ 6,190,192	\$ 5,975,635
Special instruction	2,264,644	2,145,160	2,132,660	1,979,203
Other instruction	1,978,450	2,169,064	1,995,299	1,990,107
Support services:				
Student services	404,088	455,443	429,452	454,743
Instructional staff services	556,894	693,285	1,488,882	414,337
Administration services	1,466,192	1,423,328	1,296,560	1,328,790
Operation and maintenance plant services	1,434,890	1,166,410	1,172,093	1,173,308
Transportation services	857,494	887,671	1,084,715	1,136,095
Non-instructional	4,840	6,162	6,274	10,259
Other:				
Facilities acquisition	795,633	845,597	2,515,840	821,272
Long-term debt:				
Principal	389,955	2,086,095	190,000	428,436
Interest and fiscal charges	46,676	89,778	82,572	93,413
Bond issuance cost		42,610		
AEA flowthrough	560,351	565,058	551,687	564,600
Total expenditures	\$ 17,135,935	\$ 18,462,517	\$ 19,136,226	\$ 16,370,198

See Independent Auditor's Report.

SCHEDULE 7

Modified Accrual Basis					
2015	2014	2013	2012	2011	2010
\$ 6,695,350	\$ 7,138,428	\$ 8,096,621	\$ 7,671,340	\$ 7,209,612	\$ 6,577,455
342,392	414,707	373,108	280,217	215,829	319,924
647,737	821,750	602,319	724,921	730,909	699,332
8,552,223	8,591,488	7,436,402	7,584,557	7,126,600	6,289,365
593,435	583,782	1,362,133	897,573	948,442	1,423,069
<u>\$ 16,831,137</u>	<u>\$ 17,550,155</u>	<u>\$ 17,870,583</u>	<u>\$ 17,158,608</u>	<u>\$ 16,231,392</u>	<u>\$ 15,309,145</u>
\$ 6,524,483	\$ 6,260,318	\$ 6,193,132	\$ 5,751,496	\$ 5,521,930	\$ 5,663,075
1,816,409	1,750,538	1,961,159	1,821,307	1,748,611	1,793,307
1,856,198	1,788,504	2,167,596	2,013,024	1,932,675	1,982,077
456,869	390,141	397,838	346,167	308,468	381,992
440,222	528,603	370,300	652,069	498,324	747,430
1,562,157	1,502,743	1,412,033	1,295,175	1,304,088	1,339,120
1,472,265	1,748,137	1,382,162	1,094,810	1,189,005	1,229,526
1,287,282	1,165,476	1,095,210	1,091,216	994,951	1,225,877
20,068	19,246	25,252	24,253	25,141	32,461
1,081,443	731,901	1,238,707	631,166	158,279	906,176
243,088	657,855	420,000	600,000	645,000	995,000
99,069	123,304	125,108	151,307	194,239	185,572
565,287	561,136	544,490	545,142	594,473	578,150
<u>\$ 17,424,840</u>	<u>\$ 17,227,902</u>	<u>\$ 17,332,987</u>	<u>\$ 16,017,132</u>	<u>\$ 15,115,184</u>	<u>\$ 17,059,763</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Howard-Winneshiek Community School District were prepared in accordance with U.S. generally accepted accounting principles.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Howard-Winneshiek Community School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) One significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Howard-Winneshiek Community School District expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - Clustered programs:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - U.S. Department of Agriculture - School Breakfast Program
 - CFDA Number 10.555 - U.S. Department of Agriculture - National School Lunch Program
 - CFDA Number 10.559 - U.S. Department of Agriculture - Summer Food Service Program for Children
- (h) The threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Howard-Winneshiek Community School District did not qualify as a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2019-001 Overlapping Duties

Condition: The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

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.

Cause: The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect: This deficiency results in a reasonable possibility that the District would not be able to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: The District should review the operating procedures of the District offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

**Views of Responsible
Officials and Planned**

Corrective Actions: Management is cognizant of this limitation and will implement additional procedures where possible.

HOWARD-WINNESHIK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

• **Clustered programs:**

Child Nutrition Cluster:

- CFDA Number 10.553 - U.S. Department of Agriculture - School Breakfast Program
- CFDA Number 10.555 - U.S. Department of Agriculture - National School Lunch Program
- CFDA Number 10.559 - U.S. Department of Agriculture - Summer Food Service Program for Children

Federal Award Year: 2019

Passed through the Iowa Department of Education

See 2019-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated January 17, 2020

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Grantor/Program Title	Federal CFDA Number	Grant Number	Program Expenditures
Indirect			
U.S. Department of Agriculture:			
Passed through Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY19	\$ 51,676
National School Lunch Program	10.555	FY19	307,045
Summer Food Service Program for Children	10.559	FY19	<u>79,868</u>
Total U.S. Department of Agriculture			<u>438,589</u>
U.S. Department of Education:			
Passed through Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY19	271,714
Career and Technical Education - Basic Grants to States	84.048	FY19	13,413
Supporting Effective Instruction State Grant	84.367	FY19	43,841
Special Education - Grants to States	84.027	FY19	59,899
Title III English Language Acquisition State Grants	84.365	FY19	996
Title IV Student Support and Academic Enrichment Program	84.424	FY19	<u>17,762</u>
Total U.S. Department of Education			<u>407,625</u>
Total Federal Financial Assistance			<u>\$ 846,214</u>

HOWARD-WINNESHIK COMMUNITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Howard-Winneshiek Community School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Howard-Winneshiek Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Howard-Winneshiek Community School District.

Summary of Significant Accounting Policies:

- 1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 2) Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate:

Howard-Winneshiek Community School District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients:

There were no awards passed through to subrecipients.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

We have audited, in accordance with the 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 Howard-Winneshiek Community School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Howard-Winneshiek Community School District's basic financial statements and have issued our report thereon dated January 17, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Howard-Winneshiek Community School District's Response to Finding

Howard-Winneshiek Community School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Howard-Winneshiek Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 17, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

Report on Compliance for Each Major Federal Program

We have audited Howard-Winneshiek Community School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Howard-Winneshiek Community School District's major federal programs for the year ended June 30, 2019. Howard-Winneshiek Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Howard-Winneshiek Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Howard-Winneshiek Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Howard-Winneshiek Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Howard-Winneshiek Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 17, 2020

MANAGEMENT LETTER

To the Board of Education
Howard-Winneshiek Community School District
Cresco, Iowa

In planning and performing our audit of the basic financial statements of Howard-Winneshiek Community School District for the year ended June 30, 2019, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 17, 2020, contains our report on the District's internal control over financial reporting. This letter does not affect our report dated January 17, 2020, on the basic financial statements of the Howard-Winneshiek Community School District. Comments 4 and 14 are repeated comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.

1. **Certified Budget**
Expenditures for the year ended June 30, 2019 did not exceed the amounts budgeted.
2. **Questionable Expenditures**
We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.
3. **Travel Expense**
No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.
4. **Business Transactions**
The District had business transactions between the District and the following District employees:
 - * The transaction with Stephanie Scholbrock consisted of total payments to Scholbrock Masonry of \$16,725. Stephanie Scholbrock is the owner of Scholbrock Masonry.
 - * The transaction with Tanya Riehle consisted of total payments to Blue House Studio of \$425. Tanya Riehle is the owner of Blue House Studio.

4. Business Transactions (Continued)

The District had business transactions between the District and the following District employees (continued):

- * The transaction with Tammy Courtney consisted of total payments to Cresco Fire Safety Equipment of \$4,537.50. Tammy Courtney is part owner of Cresco Fire Safety Equipment.
- * The transaction with Kim Kerian consisted of total payments to Culligan Water Conditioning of \$3,786.32. Kim Kerian's husband owns Culligan Water Conditioning.
- * The transaction with Ryan McCarville and Kelly McCarville consisted of total payments to Camp-Site RV of \$89.96. Ryan and Kelly's father are 50% owners.
- * The transaction with Denise Sheehy consisted of total payments to H&S Motors of \$2,576.51. Denise Sheehy's husband owns H&S Motors.

* In accordance with an Attorney General's Opinion dated November 9, 1976 and Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent any conflict of interest.

5. Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

6. Board Minutes

We noted no transactions requiring Board approval which had not been approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment

We noted one variance in the basic enrollment data certified to the Iowa Department of Education. One student open enrolled to a different district and the District received money for the student. The District was billed twice for a student attending another district. The student was billed as open enrolled out and special education out.

Recommendation

The District should make changes on their program and notify the Department of Education. The District should review bills received from other districts for repeated names.

Response and Corrective Action Planned

The District contacted the Department of Education to notify them of the difference, as well as contacted the other district of the error.

Conclusion

Response accepted.

8. Supplementary Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

9. Deposits and Investments

The maximum deposit amounts stated in the depository resolution, approved by the Board, for the accounts held at ISJIT were exceeded during the year ended June 30, 2019.

Recommendation

We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.

9. Deposits and Investments (Continued)

Response and Corrective Action Planned

The District will monitor cash levels in the accounts to make sure we do not exceed our approved limits.

Conclusion

Response accepted.

10. Certified Annual Report

The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

11. Categorical Funding

No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12. Statewide Sales, Services and Use Tax

No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

For the year ended June 30, 2019, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,023,831
Statewide sales, services and use tax	\$	1,192,036	
Other		17,691	
Transfers from other funds		536	1,210,263
<hr/>			
Expenditures/transfers out:			
School infrastructure:			
Equipment and architect		838,408	
Transfers to other funds		252,998	1,091,406
<hr/>			
Ending balance		\$	<u>1,142,688</u>

For the year ended June 30, 2019, the District reduced the following levies as a result of the moneys received under Chapters 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.77	\$ 436,631
PPEL Levy Reduction	1.34	755,405
		<hr/>
		\$ <u>1,192,036</u>

13. Student Activity Fund

For the items tested, no instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for moneys in the student activity fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.

14. Disbursements

During our audit, out of sixty-eight invoices tested, we noted the following:

- Eight general fund and one student activity fund payments were issued prior to acquiring an approved purchase order.
- One general fund disbursement did not have a detailed receipt.

Recommendation

The District should remind staff of the policy of receiving an approved purchase order prior to any purchase. Also ensure that all purchases have a detailed receipt. The District should also remind personnel of the Board's disbursement policies.

Response and Corrective Action Planned

Management is aware of the issue and committed to reinforce existing policy.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Howard-Winneshiek 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.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
January 17, 2020

Howard-Winneshiek Community School District

1000 Schroder Drive Cresco, Iowa 52136 563.547.2762



CORRECTIVE ACTION PLAN

January 17, 2020

To: U.S. Department of Agriculture

Howard-Winneshiek Community School District respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Hacker, Nelson & Co., P.C.
123 W. Water Street
Decorah, IA 52101

Audit period: Year ended June 30, 2019

The finding from the June 30, 2019 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

FINDING - FEDERAL AWARDS PROGRAM AUDIT

U.S. Department of Agriculture
2019 - School Breakfast Program - CFDA No. 10.553
2019 - National School Lunch Program - CFDA No. 10.555
2019 - Summer Food Service Program for Children - CFDA No. 10.559

Significant Deficiency: See Finding 2019-001

Recommendation: The District should review the operating procedures of the District offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Action Taken: Management is cognizant of this limitation and will implement additional procedures where possible.

If the U.S. Department of Agriculture has questions regarding this plan, please call Robyn Lane, Business Manager and District Secretary/Treasurer, at 563-547-2762.

Sincerely yours,

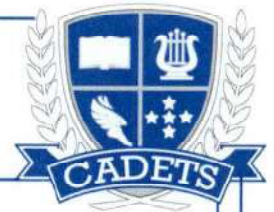
A handwritten signature in blue ink that reads "Robyn Lane". The signature is fluid and cursive, with the first name "Robyn" being more prominent than the last name "Lane".

Robyn Lane
Howard-Winneshiek Community School District
Business Manager and District Secretary/Treasurer

cc: Joseph A. Bouska, CPA

Howard-Winneshiek Community School District

1000 Schroder Drive Cresco, Iowa 52136 563.547.2762



HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2019

U.S. Department of Agriculture

Finding 2018-001: Child Nutrition Cluster

CFDA Number 10.553 – School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.559 – Summer Food Service Program for Children

CFDA Number 10.574 – Team Nutrition Grants

Condition:	Incompatible duties are being performed by the same person.
Recommendation:	The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.
Current Status:	Management is cognizant of this limitation and will implement additional procedures where possible.