

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

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**Gilbert Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before the September Elecection)**

John Nelson	President	2017
Sean Barber	Vice President	2017
Brian Anderson	Board Member	2019
Kim Mosiman	Board Member	2019
J. Tyler Holck	Board Member	2019

**(After the September Elecection)**

Brian Anderson	President	2019
Deb Ordal	Vice President	2021
J. Tyler Holck	Board Member	2019
Kim Mosiman	Board Member	2019
John Nelson	Board Member	2021

**School Officials**

Lindsey Beecher	Superintendent	2018
Gail Hopkins	Board Secretary/Treasurer and Business Manager	2018
Ahlers & Cooney, P.C.	Attorney	2018

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of Gilbert Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District, Gilbert, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of a Matter**

As discussed in Note 16 to the financial statements, Gilbert Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilbert Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2019, on our consideration of Gilbert Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Gilbert Community School District's internal control over financial reporting and compliance.

Handwritten signature in cursive script, reading "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2019  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Gilbert 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, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,260,288 in fiscal year 2017 to \$16,558,187 in fiscal year 2018, while General Fund expenditures increased from \$15,341,946 in fiscal year 2017 to \$15,754,504 in fiscal year 2018. The District's General Fund balance increased from \$1,567,001 at June 30, 2017 to \$2,370,684 at June 30, 2018, a 51.29% increase from the prior year.
- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$336,182 and \$7,052, respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- The increase in General Fund revenues was mostly attributable to increased state revenues received as compared to the prior year. The increase in expenditures was due primarily to an increase in special instruction expenditures incurred as compared to the prior year.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Gilbert Community School District as a whole and present an overall view of the District's finances.

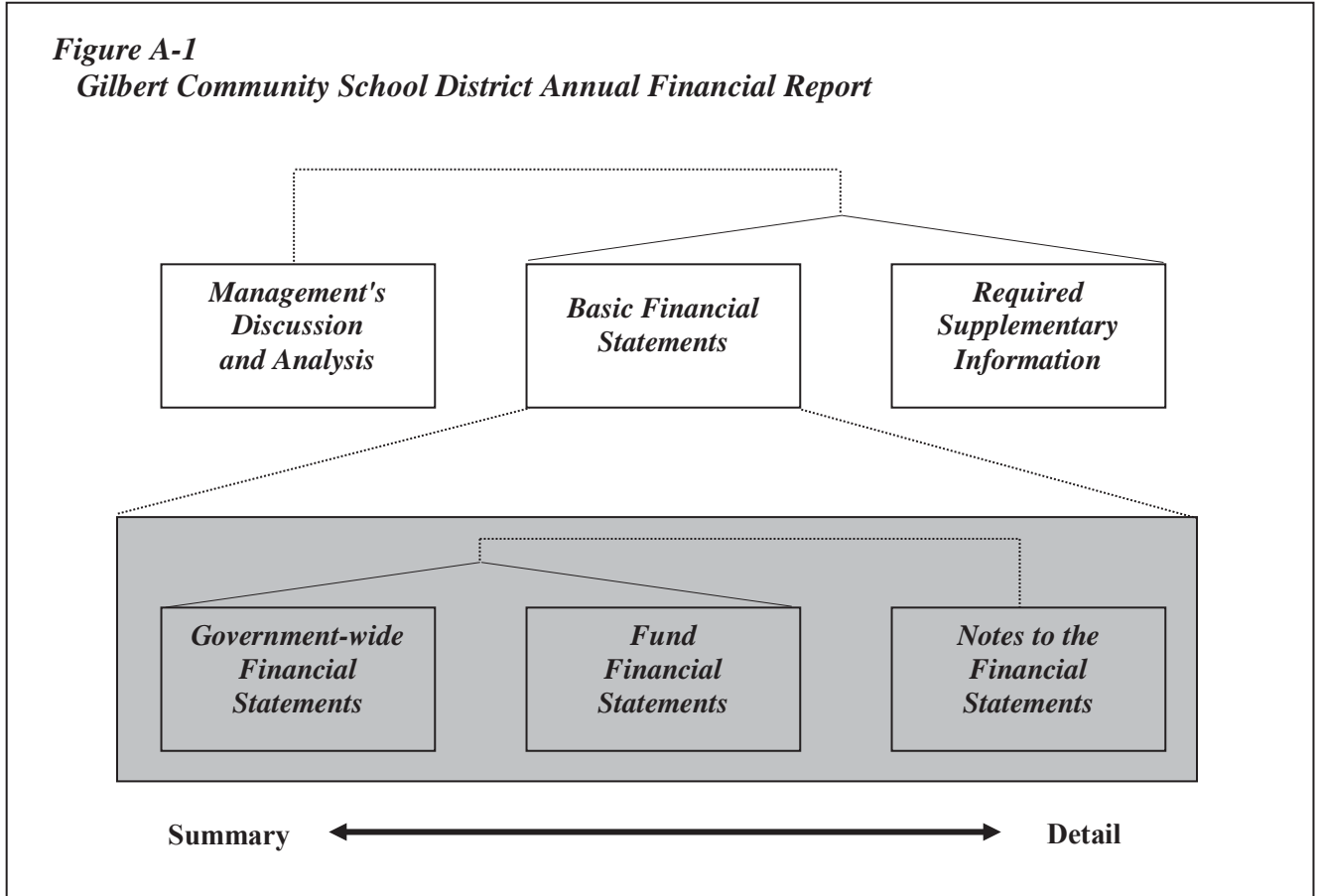
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilbert Community School District's operations in more detail than the government-wide statements by providing information about the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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds as well as providing combining schedules for the District's Capital Projects Fund and Debt Service Fund accounts.

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





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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, (Not restated)		June 30, (Not restated)		June 30, (Not restated)		June 30, 2017-18
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 19,910,130	18,691,484	149,148	92,259	20,059,278	18,783,743	6.79%
Capital assets	42,081,489	42,444,635	171,545	208,193	42,253,034	42,652,828	-0.94%
Total assets	61,991,619	61,136,119	320,693	300,452	62,312,312	61,436,571	1.43%
Deferred outflows of resources	3,278,591	2,103,359	68,213	44,657	3,346,804	2,148,016	55.81%
Long-term liabilities	34,797,535	34,899,808	185,219	171,085	34,982,754	35,070,893	-0.25%
Other liabilities	2,508,799	2,953,961	54,772	64,457	2,563,571	3,018,418	-15.07%
Total liabilities	37,306,334	37,853,769	239,991	235,542	37,546,325	38,089,311	-1.43%
Deferred inflows of resources	11,099,850	10,343,398	19,994	25,670	11,119,844	10,369,068	7.24%
Net position:							
Net investment in capital assets	15,991,489	14,209,635	171,545	208,193	16,163,034	14,417,828	12.10%
Restricted	5,498,716	5,394,296	-	-	5,498,716	5,394,296	1.94%
Unrestricted	(4,626,179)	(4,561,620)	(42,624)	(124,296)	(4,668,803)	(4,685,916)	0.37%
Total net position	\$ 16,864,026	15,042,311	128,921	83,897	16,992,947	15,126,208	12.34%

The District's combined net position increased by 12.34%, or \$1,866,739, 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 sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 1.94%, or \$104,420, from the prior year. This increase in restricted net position is mainly attributable to the increase in ending fund balance for the General Fund.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased 0.37%, or \$17,113, from the prior year. The increase in unrestricted net position is primarily a result of the increase in ending fund balance for the General Fund.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	(Not restated)		(Not restated)		(Not restated)		
	2018	2017	2018	2017	2018	2017	2017-18
Program revenues:							
Charges for service	\$ 1,868,625	2,050,569	544,488	496,245	2,413,113	2,546,814	-5.25%
Operating grants, contributions and restricted interest	1,288,010	1,233,668	179,745	184,545	1,467,755	1,418,213	3.49%
Capital grants, contributions and restricted interest	-	29,749	-	-	-	29,749	-100.00%
General revenues:							
Property tax	9,275,768	8,780,836	-	-	9,275,768	8,780,836	5.64%
Statewide sales, services and use tax	1,326,695	1,330,037	-	-	1,326,695	1,330,037	-0.25%
Unrestricted state grants	7,637,012	7,358,588	-	-	7,637,012	7,358,588	3.78%
Unrestricted interest	51,090	15,366	505	160	51,595	15,526	232.31%
Other	117,112	96,178	2,669	13,688	119,781	109,866	9.02%
Total revenues	<u>21,564,312</u>	<u>20,894,991</u>	<u>727,407</u>	<u>694,638</u>	<u>22,291,719</u>	<u>21,589,629</u>	<u>3.25%</u>
Program expenses:							
Instruction	12,563,485	12,194,993	-	-	12,563,485	12,194,993	3.02%
Support services	4,428,917	4,124,912	315	-	4,429,232	4,124,912	7.38%
Non-instructional programs	16,670	3,145	661,273	685,150	677,943	688,295	-1.50%
Other expenses	2,411,086	2,413,608	-	-	2,411,086	2,413,608	-0.10%
Total expenses	<u>19,420,158</u>	<u>18,736,658</u>	<u>661,588</u>	<u>685,150</u>	<u>20,081,746</u>	<u>19,421,808</u>	<u>3.40%</u>
Excess(Deficiency) of revenues over(under) expenses	2,144,154	2,158,333	65,819	9,488	2,209,973	2,167,821	1.94%
Transfers	13,743	-	(13,743)	-	-	-	0.00%
Change in net position	2,157,897	2,158,333	52,076	9,488	2,209,973	2,167,821	1.94%
Net position beginning of year, as restated	<u>14,706,129</u>	<u>12,883,978</u>	<u>76,845</u>	<u>74,409</u>	<u>14,782,974</u>	<u>12,958,387</u>	<u>14.08%</u>
Net position end of year	<u>\$ 16,864,026</u>	<u>15,042,311</u>	<u>128,921</u>	<u>83,897</u>	<u>16,992,947</u>	<u>15,126,208</u>	<u>12.34%</u>

In fiscal year 2018, property tax and unrestricted state grants accounted for 78.43% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.56% of the revenue from business type activities.

The District's total revenues were \$22,291,719 of which \$21,564,312 was for governmental activities and \$727,407 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.25% increase in revenues and a 3.40% increase in expenses. The increase in revenues was primarily due to an increase in property tax revenues received compared to the prior year while the increase in expenses was primarily due to an increase in expenditures in the instruction function as compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$21,564,312 and expenses were \$19,420,158 for the year ended June 30, 2018.

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

	Total Cost of Services			Net Cost of Services		
		(Not restated)	Change		(Not restated)	Change
	2018	2017	2017-18	2018	2017	2017-18
Instruction	\$ 12,563,485	12,194,993	3.02%	10,033,664	9,504,484	5.57%
Support services	4,428,917	4,124,912	7.37%	4,405,128	4,071,744	8.19%
Non-instructional programs	16,670	3,145	430.05%	16,670	3,145	430.05%
Other expenses	2,411,086	2,413,608	-0.10%	1,808,294	1,843,299	-1.90%
Totals	\$ 19,420,158	18,736,658	3.65%	16,263,756	15,422,672	5.45%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$1,868,625.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,288,010.
- The net cost of governmental activities was financed with \$9,275,768 in property tax, \$1,326,695 in statewide sales, services and use tax, \$7,637,012 in unrestricted state grants, \$51,090 in interest income and \$117,112 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2018 were \$727,407 and expenses were \$661,588. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,438,862, above last year's ending fund balances of a \$6,667,226. The primary reason for the increase in combined fund balances at the end of fiscal year 2018 is the increase in the General Fund balance as compared to the prior year.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The General Fund balance increased from \$1,567,001 at June 30, 2017 to \$2,370,684 at June 30, 2018. Both revenues and expenditures increased during the year but revenues continued to outpace expenditures ensuring an increase in ending fund balance.
- The Capital Projects Fund balance decreased from \$2,697,587 at June 30, 2017 to \$2,477,978 at June 30, 2018. The primary reason for this decrease in fund balance was an increase in expenditures incurred as compared to the prior year.

- The Debt Service Fund balance increased from \$1,955,604 at June 30, 2017 to \$1,986,508 at June 30, 2018. Revenues and expenditures did not vary significantly from the prior year.

### Proprietary Fund Highlights

The School Nutrition Fund restated net position increased from \$76,845 at June 30, 2017 to \$128,921 at June 30, 2018.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$83,138 less than budgeted revenues, a variance of 0.37%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, the District had invested \$42,253,034, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.94% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$1,517,128.

The original cost of the District's capital assets was \$57,638,304. Governmental funds account for \$57,085,065 with the remainder of \$553,239 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building's category. The District's buildings totaled \$38,750,996 at June 30, 2018, compared to \$39,664,427 at June 30, 2017. The primary reason for this decrease is due to depreciation expense recognized during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-18
Land	\$ 1,241,123	1,146,053	-	-	1,241,123	1,146,053	8.30%
Construction in progress	607,513	-	-	-	607,513	-	100.00%
Intangibles	12,904	19,357	-	-	12,904	19,357	-33.34%
Buildings	38,750,996	39,664,427	-	-	38,750,996	39,664,427	-2.30%
Land improvements	948,007	890,809	-	-	948,007	890,809	6.42%
Machinery and equipment	520,946	723,989	171,545	208,193	692,491	932,182	-25.71%
Total	\$ 42,081,489	42,444,635	171,545	208,193	42,253,034	42,652,828	-0.94%

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## Long-Term Debt

At June 30, 2018, the District had \$26,090,000 of total long-term debt outstanding. This represents a decrease of 7.60% from the prior year (See Figure A-7). More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had revenue bonded indebtedness of \$9,795,000 at June 30, 2018 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding general obligation bonded indebtedness of \$16,295,000 at June 30, 2018 payable from the Debt Service Fund.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2018	2017	2017-18
General obligation bonds	\$ 16,295,000	17,770,000	-8.30%
Revenue bonds	9,795,000	10,465,000	-6.40%
Totals	<u>\$ 26,090,000</u>	<u>28,235,000</u>	<u>-7.60%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Gilbert CSD is the 8<sup>th</sup> fastest growing district in the state of Iowa. Gilbert CSD commissioned ISFIS to complete an enrollment projection study to be completed (September 2016). Taking into account birth rate, housing developments and other factors, they determined 1% - 1.5% annual growth. Looking at growth with a straight 3% annual growth, as seen over the past 10 years seems to be more aligned with what Gilbert Schools has seen and the rate that the school board agreed to move forward with for the Long-Range Planning.
- The board recognized continued enrollment growth and wanted to be sure Gilbert was in good standing to welcome the new students each year. So multiple committee meetings were held to gain insight from the community, parents and staff to determine what priorities needed to be addressed. A thorough evaluation was completed by Haila Architecture in conjunction with KCL Engineering of all mechanical and electrical conditions at all 4 district buildings.
- On March 6, 2017, the Gilbert Board of Education approved a resolution to commission Haila Architecture to move forward to the next stage (Phase II) of exploratory planning for multiple projects in preparation for a future bond issue. Community Forums were held April 19, 26 & 29, 2017 to inform the staff and public on the district's building conditions, capacity/needs and achieving district priorities.
- Haila Architecture presented the final Phase I District Facility Study Plan to the District's Board on May 8, 2017.
- Again, Gilbert CSD faces challenges of providing the appropriate number of staff and amount of supplies needed to educate District students due to the growth of enrollment (2.5%), the District not having the appropriate supplemental state aid (2.25%) or funding to do so creates unique challenges for the District's cost structure and requires the District to come up with alternatives.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Hopkins Board Secretary/Treasurer and Business Manager, Gilbert Community School District, 103 Mathews Drive, Gilbert, Iowa, 50105.



BASIC FINANCIAL STATEMENTS

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,877,733	144,272	9,022,005
Receivables:			
Property tax:			
Delinquent	13,590	-	13,590
Succeeding year	10,131,104	-	10,131,104
Accounts	37,378	2,767	40,145
Due from other funds	13,976	(13,976)	-
Due from other governments	836,349	-	836,349
Inventories	-	16,085	16,085
Capital assets not being depreciated:			
Land	1,241,123	-	1,241,123
Construction in progress	607,513	-	607,513
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	40,232,853	171,545	40,404,398
<b>TOTAL ASSETS</b>	<b>61,991,619</b>	<b>320,693</b>	<b>62,312,312</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	3,248,577	67,169	3,315,746
OPEB related deferred outflows	30,014	1,044	31,058
<b>TOTAL ASSETS</b>	<b>3,278,591</b>	<b>68,213</b>	<b>3,346,804</b>
<b>LIABILITIES</b>			
Accounts payable	644,148	122	644,270
Deposit payable	100,000	-	100,000
Salaries and benefits payable	1,596,016	34,405	1,630,421
Accrued interest payable	168,635	-	168,635
Unearned revenue	-	20,245	20,245
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,125,000	-	1,125,000
Revenue bonds payable	685,000	-	685,000
Portion due after one year:			
General obligation bonds payable	15,170,000	-	15,170,000
Revenue bonds payable	9,110,000	-	9,110,000
Net pension liability	8,067,282	162,959	8,230,241
Total OPEB liability	640,253	22,260	662,513
<b>TOTAL LIABILITIES</b>	<b>37,306,334</b>	<b>239,991</b>	<b>37,546,325</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenues	10,131,104	-	10,131,104
Pension related deferred inflows	939,513	18,978	958,491
OPEB related deferred inflows	29,233	1,016	30,249
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,099,850</b>	<b>19,994</b>	<b>11,089,595</b>
<b>NET POSITION</b>			
Net investment in capital assets	15,991,489	171,545	16,163,034
Restricted for:			
Categorical funding	599,173	-	599,173
Debt service	1,817,873	-	1,817,873
School infrastructure	1,781,439	-	1,781,439
Physical plant and equipment	696,539	-	696,539
Management levy	479,721	-	479,721
Student activities	123,971	-	123,971
Unrestricted	(4,626,179)	(42,624)	(4,668,803)
<b>TOTAL NET POSITION</b>	<b>\$ 16,864,026</b>	<b>128,921</b>	<b>16,992,947</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 8,307,770	1,356,303	82,803	(6,868,664)	-	(6,868,664)
Special	1,930,406	219,969	261,840	(1,448,597)	-	(1,448,597)
Other	2,325,309	292,353	316,786	(1,716,170)	-	(1,716,170)
	<u>12,563,485</u>	<u>1,868,625</u>	<u>661,429</u>	<u>(10,033,431)</u>	<u>-</u>	<u>(10,033,431)</u>
Support services:						
Student	250,837	-	-	(250,837)	-	(250,837)
Instructional staff	593,272	-	1,010	(592,262)	-	(592,262)
Administration	1,510,569	-	-	(1,510,569)	-	(1,510,569)
Operation and maintenance of plant	1,425,019	-	-	(1,425,019)	-	(1,425,019)
Transportation	649,220	-	22,779	(626,441)	-	(626,441)
	<u>4,428,917</u>	<u>-</u>	<u>23,789</u>	<u>(4,405,128)</u>	<u>-</u>	<u>(4,405,128)</u>
Non-instructional programs:						
Food service operations	16,670	-	-	(16,670)	-	(16,670)
Long-term debt interest	767,009	-	-	(767,009)	-	(767,009)
Other expenses:						
AEA flowthrough	602,792	-	602,792	-	-	-
Depreciation(unallocated)*	1,041,285	-	-	(1,041,285)	-	(1,041,285)
	<u>1,644,077</u>	<u>-</u>	<u>602,792</u>	<u>(1,041,285)</u>	<u>-</u>	<u>(1,041,285)</u>
Total governmental activities	<u>19,420,158</u>	<u>1,868,625</u>	<u>1,288,010</u>	<u>(16,263,523)</u>	<u>-</u>	<u>(16,263,523)</u>
Business type activities:						
Support services:						
Administration	315	-	-	-	(315)	(315)
Non-instructional programs:						
Food service operations	661,273	544,488	179,745	-	62,960	62,960
Total business type activities	<u>661,588</u>	<u>544,488</u>	<u>179,745</u>	<u>-</u>	<u>62,645</u>	<u>62,645</u>
Total	\$ <u>20,081,746</u>	<u>2,413,113</u>	<u>1,467,755</u>	<u>(16,263,523)</u>	<u>62,645</u>	<u>(16,200,878)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes			\$ 6,468,131	-		6,468,131
Debt service			1,983,905	-		1,983,905
Capital outlay			823,732	-		823,732
Statewide sales, services and use tax			1,326,695	-		1,326,695
Unrestricted state grants			7,637,012	-		7,637,012
Unrestricted investment earnings			51,090	505		51,595
Other			117,112	2,669		119,781
Transfers			13,743	(13,743)		-
Total general revenues and transfers			<u>18,421,420</u>	<u>(10,569)</u>		<u>18,410,851</u>
Change in net position			2,157,897	52,076		2,209,973
Net position beginning of year, as restated			14,706,129	76,845		14,782,974
Net position end of year			\$ <u>16,864,026</u>	<u>128,921</u>		<u>16,992,947</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 3,539,270	2,753,425	1,983,601	601,437	8,877,733
Receivables:					
Property tax:					
Delinquent	8,810	1,212	2,907	661	13,590
Succeeding year	6,740,198	895,115	2,170,789	325,002	10,131,104
Accounts	13,036	-	-	24,342	37,378
Due from other funds	13,976	-	-	-	13,976
Due from other governments	723,888	112,461	-	-	836,349
<b>TOTAL ASSETS</b>	<b>\$ 11,039,178</b>	<b>3,762,213</b>	<b>4,157,297</b>	<b>951,442</b>	<b>19,910,130</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 332,280	289,120	-	22,748	644,148
Deposits payable	-	100,000	-	-	100,000
Salaries and benefits payable	1,596,016	-	-	-	1,596,016
Total liabilities	1,928,296	389,120	-	22,748	2,340,164
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,740,198	895,115	2,170,789	325,002	10,131,104
Fund balances:					
Restricted for:					
Categorical funding	599,173	-	-	-	599,173
Debt service	-	-	1,986,508	-	1,986,508
School infrastructure	-	1,781,439	-	-	1,781,439
Physical plant and equipment	-	696,539	-	-	696,539
Management levy purposes	-	-	-	479,721	479,721
Student activities	-	-	-	123,971	123,971
Unassigned:					
General	1,771,511	-	-	-	1,771,511
Total fund balances	2,370,684	2,477,978	1,986,508	603,692	7,438,862
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 11,039,178</b>	<b>3,762,213</b>	<b>4,157,297</b>	<b>951,442</b>	<b>19,910,130</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2018

<b>Total fund balances of governmental funds(page 20)</b>	\$	7,438,862
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		42,081,489
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(168,635)
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	\$ 3,278,591	
Deferred inflows of resources	<u>(968,746)</u>	2,309,845
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, total OPEB liability, and the net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(34,797,535)</u>
<b>Net position of governmental activities(page 18)</b>	\$	<u><u>16,864,026</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 6,017,445	823,732	1,983,905	450,686	9,275,768
Tuition	1,433,206	-	-	-	1,433,206
Other	320,103	13,250	17,023	372,535	722,911
State sources	8,437,676	1,335,026	19,256	4,455	9,796,413
Federal sources	336,014	-	-	-	336,014
<b>TOTAL REVENUES</b>	<b>16,544,444</b>	<b>2,172,008</b>	<b>2,020,184</b>	<b>827,676</b>	<b>21,564,312</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,691,692	95,286	-	187,452	7,974,430
Special	1,758,745	-	-	-	1,758,745
Other	1,839,926	13,183	-	344,307	2,197,416
	<b>11,290,363</b>	<b>108,469</b>	<b>-</b>	<b>531,759</b>	<b>11,930,591</b>
Support services:					
Student	263,433	-	-	-	263,433
Instructional staff	447,823	134,552	-	-	582,375
Administration	1,433,244	96,135	-	13,528	1,542,907
Operation and maintenance of plant	1,223,887	133,858	-	88,684	1,446,429
Transportation	492,962	123,673	-	20,377	637,012
	<b>3,861,349</b>	<b>488,218</b>	<b>-</b>	<b>122,589</b>	<b>4,472,156</b>
Non-instructional programs:					
Food service operations	-	-	-	16,670	16,670
Capital outlay	-	863,035	-	-	863,035
Long-term debt:					
Principal	-	-	2,145,000	-	2,145,000
Interest and fiscal charges	-	-	776,175	-	776,175
	<b>-</b>	<b>-</b>	<b>2,921,175</b>	<b>-</b>	<b>2,921,175</b>
Other expenditures:					
AEA flowthrough	602,792	-	-	-	602,792
<b>TOTAL EXPENDITURES</b>	<b>15,754,504</b>	<b>1,459,722</b>	<b>2,921,175</b>	<b>671,018</b>	<b>20,806,419</b>
Excess(Deficiency) of revenues over(under) expenditures	789,940	712,286	(900,991)	156,658	757,893
Other financing sources(uses):					
Transfer in	13,743	-	931,895	-	945,638
Transfer out	-	(931,895)	-	-	(931,895)
Total other financing sources(uses)	13,743	(931,895)	931,895	-	13,743
Change in fund balances	803,683	(219,609)	30,904	156,658	771,636
Fund balances beginning of year	1,567,001	2,697,587	1,955,604	447,034	6,667,226
Fund balances end of year	<b>\$ 2,370,684</b>	<b>2,477,978</b>	<b>1,986,508</b>	<b>603,692</b>	<b>7,438,862</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2018

**Change in fund balances - total governmental funds(page 22)** \$ 771,636

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

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

Capital outlay	\$ 1,116,684	
Depreciation expense	(1,479,830)	(363,146)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 2,145,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 9,166

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 824,954

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

Pension expense	(1,178,156)	
Total OPEB liability	(51,557)	(1,229,713)

**Change in net position of governmental activities(page 19)** \$ 2,157,897

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2018

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 144,272
Accounts receivable	2,767
Inventories	16,085
Total current assets	163,124
Noncurrent assets:	
Capital assets, net of accumulated depreciation	171,545
<b>TOTAL ASSETS</b>	<b>334,669</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	67,169
OPEB related deferred outflows	1,044
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>68,213</b>
<b>LIABILITIES</b>	
Current liabilities:	
Interfund payable	13,976
Accounts payable	122
Salaries and benefits payable	34,405
Unearned revenues	20,245
Total current liabilities	68,748
Noncurrent liabilities:	
Net pension liability	162,959
Total OPEB liability	22,260
Total noncurrent liabilities	185,219
<b>TOTAL LIABILITIES</b>	<b>253,967</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred outflows	18,978
OPEB related deferred outflows	1,016
	19,994
<b>NET POSITION</b>	
Net investment in capital assets	171,545
Unrestricted	(42,624)
<b>TOTAL NET POSITION</b>	<b>\$ 128,921</b>

SEE NOTES TO FINANCIAL STATEMENTS.



GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2018

	Enterprise School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 544,488
Miscellaneous	2,669
TOTAL OPERATING REVENUES	547,157
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	315
Non-instructional programs:	
Food service operations:	
Salaries	221,727
Benefits	38,663
Services	168
Supplies	363,417
Depreciation	37,298
Total non-instructional programs	661,273
TOTAL OPERATING EXPENSES	661,588
OPERATING LOSS	(114,431)
NON-OPERATING REVENUES:	
Interest	505
State sources	5,130
Federal sources	174,615
TOTAL NON-OPERATING REVENUES	180,250
Change in net position before other financing sources	65,819
Other financing uses:	
Transfer	(13,743)
Change in net position	52,076
Net position beginning of year, as restated	76,845
Net position end of year	\$ 128,921

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2018

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 538,278
Cash received from miscellaneous	2,669
Cash payments to employees for services	(287,034)
Cash payments to suppliers for goods or services	(308,765)
Net cash used in operating activities	(54,852)
Cash flows from non-capital financing activities:	
Transfers to the General Fund	(13,743)
Net interfund borrowing and repayments	13,976
State grants received	5,130
Federal grants received	122,466
Net cash provided by non-capital financing activities	127,829
Cash flows from investing activities:	
Interest on investments	505
Cash flows from capital financing activities:	
Purchase of capital assets	(650)
Net increase in cash and pooled investments	72,832
Cash and pooled investments beginning of year	71,440
Cash and pooled investments end of year	\$ 144,272
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (114,431)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	52,149
Depreciation	37,298
Decrease in inventories	3,140
Increase in accounts receivable	(1,173)
Decrease in accounts payable	(154)
Decrease in salaries and benefits payable	(4,494)
Decrease in unearned revenue	(5,037)
Increase in net pension liability	5,263
Increase in deferred outflows of resources	(23,556)
Decrease in deferred inflows of resources	(5,676)
Increase in other postemployment benefits	1,819
Net cash used in operating activities	\$ (54,852)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2018, the District received \$52,149 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Gilbert 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 is such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Gilbert Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone and Story County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the 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.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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.

The District reports to following nonmajor enterprise fund:

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

cash is received by the District.

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

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

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

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

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

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

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

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

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

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

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and 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 revenue 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 consists of property tax and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

## **E. Budgets and Budgetary Accounting**

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

### **(2) Cash and Pooled Investments**

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

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

At June 30, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,006,997 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

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

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

Due to	Due from	Amount
General	Nutrition Fund	<u>\$ 13,976</u>

The Nutrition Fund is repaying the General Fund \$13,743 indirect cost not repaid at the end of the year and \$233 for AIDS education money incorrectly recorded.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Nutrition Fund	\$ 13,743
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>931,895</u>
Total		<u>\$ 945,638</u>

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

The transfers from the Nutrition Fund to the General Fund was to for indirect costs repaid during the year.

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year as restated	Additions	Deletions	Balance End of	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 10,465,000	-	670,000	9,795,000	685,000
General obligation bonds	17,770,000	-	1,475,000	16,295,000	1,125,000
Termination benefits	-	96,998	96,998	-	-
Net pension liability	6,413,075	1,654,207	-	8,067,282	-
Net OPEB liability	587,915	52,338	-	640,253	-
Total	<u>\$ 35,235,990</u>	<u>1,803,543</u>	<u>2,241,998</u>	<u>34,797,535</u>	<u>1,810,000</u>



**Business type activities:**

Net pension liability	\$	157,696	5,263	-	162,959	-
Net OPEB liability		20,441	1,819	-	22,260	-
Total	\$	178,137	7,082	-	185,219	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2018 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Dated October 1, 2011			Bond Dated February 1, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	3.00	% \$ 145,000	287,657	1.55	% \$ 125,000	3,688
2020	3.00	150,000	283,308	1.75	100,000	1,750
2021	3.00	160,000	278,807		-	-
2022	3.00	170,000	274,008		-	-
2023	3.00	170,000	268,907		-	-
2024-2028	3.00-3.30	4,515,000	1,097,738		-	-
2029-2031	3.40-3.55	3,560,000	250,313		-	-
Total		\$ 8,870,000	2,740,738		\$ 225,000	5,438

Year Ending June 30,	Bond Dated June 1, 2013			Refunding Bond Dated April 1, 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.00	% \$ 65,000	128,175	2.00-3.00	% \$ 790,000	55,025	\$ 1,125,000	474,545	1,599,545
2020	2.00	85,000	126,875	2.00	625,000	30,500	960,000	442,433	1,402,433
2021	2.00	185,000	125,175	2.00	640,000	17,900	985,000	421,882	1,406,882
2022	2.00	185,000	121,475	2.00	415,000	6,250	770,000	401,733	1,171,733
2023	2.00	190,000	117,775		-	-	360,000	386,682	746,682
2024-2028	2.00-2.50	720,000	536,725		-	-	5,235,000	1,634,463	6,869,463
2029-2033	2.50-3.00	3,300,000	412,288		-	-	6,860,000	662,601	7,522,601
Total		\$ 4,730,000	1,568,488		\$ 2,470,000	109,675	\$ 16,295,000	4,424,339	20,719,339

**Revenue Bonds Payable**

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

Year Ending June 30,	Bond Dated February 1, 2012			Bond Dated July 1, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.00	% \$ 530,000	195,058	2.00	% \$ 155,000	55,285	685,000	250,343	935,343
2020	2.00	540,000	184,357	2.00	155,000	52,185	695,000	236,542	931,542
2021	2.00	550,000	173,183	2.00	155,000	49,035	705,000	222,218	927,218
2022	2.10	560,000	161,107	2.00	160,000	45,785	720,000	206,892	926,892
2023	2.25	575,000	147,908	2.00	165,000	42,485	740,000	190,393	930,393
2024-2028	2.50-3.00	3,105,000	503,535	2.00-3.00	880,000	148,682	3,985,000	652,217	4,637,217
2029-2030	3.10-3.40	1,720,000	68,144	3.00-3.20	535,000	21,485	2,255,000	89,629	2,344,629
Total		\$ 7,580,000	1,433,292		\$ 2,205,000	414,942	\$ 9,785,000	1,848,234	11,633,234

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,900,000 of bonds issued February 1, 2012 and \$3,650,000 of bonds issued July 1, 2013. The bonds were issued for the purpose of financing a portion of the costs of the new high school as well as other District construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,633,234. For the current year, \$670,000 in principal and \$263,892 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,326,694.

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

- a) \$1,071,800 of the proceeds from the issuances of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) 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.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

## (6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,146,053	95,070	-	1,241,123
Construction in progress	-	607,513	-	607,513
Total capital assets not being depreciated	1,146,053	702,583	-	1,848,636
Capital assets being depreciated:				
Buildings	48,390,925	51,740	-	48,442,665
Land improvements	1,771,975	133,312	-	1,905,287
Intangible assets	32,263	-	-	32,263
Machinery and equipment	4,842,273	229,049	215,108	4,856,214
Total capital assets being depreciated	55,037,436	414,101	215,108	55,236,429
Less accumulated depreciation for:				
Buildings	8,726,498	965,171	-	9,691,669
Land improvements	881,166	76,114	-	957,280
Intangible assets	12,906	6,453	-	19,359
Machinery and equipment	4,118,284	432,092	215,108	4,335,268
Total accumulated depreciation	13,738,854	1,479,830	215,108	15,003,576
Total capital assets being depreciated, net	41,298,582	(1,065,729)	-	40,232,853
Governmental activities capital assets, net	\$ 42,444,635	(363,146)	-	42,081,489

<b>Business type activities:</b>					
Machinery and equipment	\$	552,589	650	-	553,239
Less accumulated depreciation		344,396	37,298	-	381,694
Business type activities capital assets	\$	208,193	(36,648)	-	171,545

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>					
Instruction:					
Regular	\$				152,714
Special					2,111
Other					101,406
Support services:					
Instructional staff					16,706
Administration					37,104
Operation and maintenance of plant					20,799
Transportation					107,705
					438,545
Unallocated depreciation					1,041,285
	\$				1,479,830
<b>Business type activities:</b>					
Food service operations	\$				37,298

**(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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who

began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2018 were \$843,166.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$8,230,241 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.123554%, which was an increase of 0.019145% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$1,172,427. At June 30, 2018, 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	\$ 75,562	71,309
Changes of assumptions	1,430,036	-
Net difference between projected and actual earnings on IPERS' investments	-	85,962
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	966,982	801,220
District contributions subsequent to the measurement date	843,166	-
<b>Total</b>	<b>\$ 3,315,746</b>	<b>958,491</b>

\$843,116 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net

pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 239,827
2020	628,849
2021	332,653
2022	157,757
2023	155,003
	<u>\$ 1,514,089</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
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)	4.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	24.0%	6.25%
Domestic equity	16.0	6.71
International equity	27.0	2.25
Private equity/debt	3.5	3.46
Real estate	7.0	3.27
Credit opportunities	1.0	(0.31)
U.S. TIPS	11.0	11.15
Other real assets	7.5	4.18
Cash	3.0	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0 percent) or 1% higher (8.0 percent) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 13,560,136	8,230,241	3,752,106

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

Payables to IPERS - At June 30, 2018, the District reported payables to IPERS of \$145,597 for legally required District contributions and \$97,010 for legally required employee contributions withheld from employee wages which had not yet been 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 health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>187</u>
Total	<u><u>192</u></u>

Total OPEB Liability - The District's total OPEB liability of \$662,513 at June 30, 2018 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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

Rate of inflation (effective June 30, 2017)	2.75% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2017)	3.56% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2017)	6.80% initial rate decreasing by varying amounts to an ultimate rate of 4.40%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.56% 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 200 annuitant generational mortality projected fully generational with scale AA, applied on gender specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 608,356
Changes for the year:	
Service cost	74,064
Interest	19,838
Differences between expected and actual experiences	-
Changes in assumptions	(33,682)
Benefit payments	<u>(6,063)</u>
Net changes	<u>54,157</u>
Total OPEB liability end of year	<u>\$ 662,513</u>

Changes of assumptions reflect a change in the discount rate from 2.92% at June 30, 2016 to 3.56% at the June 30, 2017 measurement date used for the reporting date of June 30, 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.56%) or 1% higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 715,771	662,513	612,864

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 (5.80%) or 1% higher (7.80%) than the current healthcare cost trend rates.

	1% Decrease (5.80%)	Healthcare Cost Trend Rate (6.80%)	1% Increase (7.80%)
Total OPEB liability	\$ 584,206	662,513	756,301

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$90,469. At June 30, 2018, the District reported deferred outflows/Inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	30,249
Contributions between measurement date and reporting date	31,058	-
Total	<u>\$ 31,058</u>	<u>30,249</u>

\$31,058 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (3,433)
2020	(3,433)
2021	(3,433)
2022	(3,433)
2023	(3,433)
Thereafter	<u>(13,084)</u>
Total	<u>\$ (30,249)</u>

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$602,792 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency



general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state 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, 2018.

Program	Amount
Limited english proficient	\$ 7,139
Four-year-old preschool state aid	95,156
Home school assistance program	193,244
Beginning teacher mentoring and induction program	12,759
Teacher salary supplement	16,927
Iowa early intervention block grant	6,325
Successful progression for early readers	20,783
Professional development for model core curriculum	13,834
Professional development	71,239
Teacher leadership state aid	161,767
<b>Total</b>	<b>\$ 599,173</b>

**(12) 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

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2018.

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

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted Balances
<b>Fund balance (Exhibit C)</b>	\$ -	1,986,508	1,771,511
Capital assets, net of accumulated depreciation	42,081,489	-	-
General obligation bond capitalized indebtedness	(16,295,000)	-	-
Revenue bond capitalized indebtedness	(9,795,000)	-	-
Accrued interest payable	-	(168,635)	-
Net pension liability	-	-	(8,067,282)
Pension related deferred outflows	-	-	3,248,577
Pension related deferred inflows	-	-	(939,513)
Total OPEB liability	-	-	(640,253)
OPEB related deferred outflows	-	-	30,014
OPEB related deferred inflows	-	-	(29,233)
<b>Net position (Exhibit A)</b>	<b>\$ 15,991,489</b>	<b>1,817,873</b>	<b>(4,626,179)</b>

**(14) Bond Defeasement - General Obligation Bonds**

As part of the District’s budgeting process for fiscal years 2018 the District approved an additional debt service levy tax to advance refund \$380,000 in principal of the February 1, 2014 general obligation bond issuance when the bonds become callable on June 1, 2019.

As of June 30, 2018, the additional amount of the Debt Service tax levy collected totaled \$380,000 and was placed in an irrevocable escrow account and invested in U.S. Government obligations and is certified sufficient to pay \$95,000 in principal of the June 1, 2021 bond payment, \$95,000 in principal of the December 1, 2020 bond payment, \$95,000 of the June 1, 2020 bond payment, \$95,000 of the December 1, 2019 bond payment when the bonds become callable on June 1, 2019. These bonds are considered defeased in-substance and the liability for those bonds has been removed from the appropriate financial statements and schedules.

The District is contingently liable in the remote possibility the escrow account is insufficient to pay the refunded bonds at the call date. After the principal and interest on all of the outstanding bonds are paid, any remaining funds in the escrow account, together with any interest thereon, will be returned to the District. At June 30, 2018, \$380,000 of such bonds are outstanding.

**(15) Construction Commitment**

At June 30, 2018, The District has entered into contracts for the construction of a HS remodeling project and a Elementary School Security project. As of June 30, 2018, costs of \$607,513 had been incurred against the contracts. The balance will be paid out as work on the project progresses. Once the project is complete, the total cost of the project will be added to the District’s capital assets listing.

**(16) Accounting Change/Restatement**

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

	Governmental Activities	Business Type Activities
Net position June 30, 2017, as previously reported	\$ 15,042,311	83,897
OPEB obligation measured under previous standards	251,733	13,389
Total OPEB liability at June 30, 2017	(587,915)	(20,441)
Net position July 1, 2017, as restated	<u>\$ 14,706,129</u>	<u>76,845</u>

REQUIRED SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 11,431,885	547,662	11,979,547	12,100,970	12,100,970	(121,423)
State sources	9,796,413	5,130	9,801,543	9,866,912	9,866,912	(65,369)
Federal sources	336,014	174,615	510,629	406,975	406,975	103,654
Total revenues	<u>21,564,312</u>	<u>727,407</u>	<u>22,291,719</u>	<u>22,374,857</u>	<u>22,374,857</u>	<u>(83,138)</u>
Expenditures/expenses:						
Instruction	11,930,591	-	11,930,591	12,377,492	12,377,492	446,901
Support services	4,472,156	315	4,472,471	6,100,631	6,100,631	1,628,160
Non-instructional programs	16,670	661,273	677,943	808,542	808,542	130,599
Other expenditures	4,387,002	-	4,387,002	4,570,785	4,570,785	183,783
Total expenditures/expenses	<u>20,806,419</u>	<u>661,588</u>	<u>21,468,007</u>	<u>23,857,450</u>	<u>23,857,450</u>	<u>2,389,443</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	757,893	65,819	823,712	(1,482,593)	(1,482,593)	2,306,305
Other financing sources, net	<u>13,743</u>	<u>(13,743)</u>	<u>-</u>	<u>(59,807)</u>	<u>(59,807)</u>	<u>59,807</u>
Excess(Deficiency) of revenues and other financing sources over (under) expenditures/expenses	771,636	52,076	823,712	(1,542,400)	(1,542,400)	2,366,112
Balances beginning of year, as restated	<u>6,667,226</u>	<u>76,845</u>	<u>6,744,071</u>	<u>5,817,652</u>	<u>5,817,652</u>	<u>926,419</u>
Balances end of year	<u>\$ 7,438,862</u>	<u>128,921</u>	<u>7,567,783</u>	<u>4,275,252</u>	<u>4,275,252</u>	<u>3,292,531</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2018

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

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

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

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

	2018	2017	2016	2015
District's proportion of the net pension liability	0.123554%	0.104409%	0.130878%	0.130115%
District's proportionate share of the net pension liability	\$ 8,230,241	6,570,771	6,465,981	5,160,235
District's covered payroll	\$ 9,222,539	7,492,755	8,966,294	8,514,166
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	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 ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 843,166	823,573	669,103	800,690	760,315	681,962	581,166	472,334	439,866	405,920
Contributions in relation to the statutorily required contribution	\$ (843,166)	(823,573)	(669,103)	(800,690)	(760,315)	(681,962)	(581,166)	(472,334)	(439,866)	(405,920)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,441,952	9,222,539	7,492,755	8,966,294	8,514,166	7,865,767	7,201,561	6,796,173	6,614,526	6,392,441
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2018

*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 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.



GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES  
FOR THE CURRENT YEAR  
REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 74,064
Interest cost	19,838
Differences between expected and actual experiences	-
Changes in assumptions	(33,682)
Benefit payments	(6,063)
Net change in total OPEB liability	54,157
Total OPEB liability beginning of year, as restated	608,356
Total OPEB liability end of year	\$ 662,513
Covered-employee payroll	\$ 8,934,281
Total OPEB liability as a percentage of covered-employee payroll	7.42%

**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.

Reporting period ended June 30, 2018	3.56%
Reporting period ended June 30, 2017	2.92%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**GILBERT COMMUNITY SCHOOL DISTRICT**

SUPPLEMENTARY INFORMATION

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue		
	Student Activity	Management Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 122,377	479,060	601,437
Receivables:			
Property tax:			
Delinquent	-	661	661
Succeeding year	-	325,002	325,002
Accounts	24,342	-	24,342
<b>TOTAL ASSETS</b>	<b>\$ 146,719</b>	<b>804,723</b>	<b>951,442</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 22,748	-	22,748
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	325,002	325,002
Fund balances:			
Restricted for:			
Management levy purposes	-	479,721	479,721
Student activities	123,971	-	123,971
Total fund balances	123,971	479,721	603,692
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 146,719</b>	<b>804,723</b>	<b>951,442</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2018

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	450,686	450,686
Other	348,102	24,433	372,535
State sources	-	4,455	4,455
<b>TOTAL REVENUES</b>	<b>348,102</b>	<b>479,574</b>	<b>827,676</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	187,452	187,452
Other	344,307	-	344,307
Support services:			
Administration	-	13,528	13,528
Operation and maintenance of plant	-	88,684	88,684
Transportation	-	20,377	20,377
Non-instructional programs:			
Food service operations	-	16,670	16,670
<b>TOTAL EXPENDITURES</b>	<b>344,307</b>	<b>326,711</b>	<b>671,018</b>
Change in fund balances	3,795	152,863	156,658
Fund balances beginning of year	120,176	326,858	447,034
Fund balances end of year	\$ 123,971	479,721	603,692

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2018

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,166,942	731,929	-	2,898,871
Receivables:				
Property tax:				
Delinquent	-	1,212	-	1,212
Succeeding year	-	895,115	-	895,115
Due from other governments	112,461	-	-	112,461
<b>TOTAL ASSETS</b>	<b>\$ 2,279,403</b>	<b>1,628,256</b>	<b>-</b>	<b>3,907,659</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ -	-	145,446	145,446
Accounts payable	-	36,602	252,518	289,120
Deposit payable	-	-	100,000	100,000
	-	36,602	497,964	534,566
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	895,115	-	895,115
Fund balances:				
Restricted for:				
School infrastructure	2,279,403	-	(497,964)	1,781,439
Physical plant and equipment	-	696,539	-	696,539
Total fund balances	2,279,403	696,539	(497,964)	2,477,978
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,279,403</b>	<b>1,628,256</b>	<b>-</b>	<b>3,907,659</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2018

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	
REVENUES:				
Local sources:				
Local tax	\$ -	823,732	-	823,732
Other	-	13,250	-	13,250
State sources	1,326,694	8,332	-	1,335,026
TOTAL REVENUES	1,326,694	845,314	-	2,172,008
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	95,286	-	95,286
Other	-	13,183	-	13,183
Support services:				
Instructional staff	-	134,552	-	134,552
Administration	-	96,135	-	96,135
Operation and maintenance of plant	94,128	39,730	-	133,858
Transportation	-	123,673	-	123,673
Capital outlay	-	365,071	497,964	863,035
TOTAL EXPENDITURES	94,128	867,630	497,964	1,459,722
Excess(deficiency) of revenues over(under) expenditures	1,232,566	(22,316)	(497,964)	712,286
Other financing uses:				
Transfer out	(931,895)	-	-	(931,895)
Change in fund balances	300,671	(22,316)	(497,964)	(219,609)
Fund balances beginning of year	1,978,732	718,855	-	2,697,587
Fund balances end of year	\$ 2,279,403	696,539	(497,964)	2,477,978

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND ACCOUNTS  
 JUNE 30, 2018

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 95,101	1,888,500	1,983,601
Receivables:			
Property tax:			
Delinquent	2,907	-	2,907
Succeeding year	2,170,789	-	2,170,789
<b>TOTAL ASSETS</b>	<b>\$ 2,268,797</b>	<b>1,888,500</b>	<b>4,157,297</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	2,170,789	-	2,170,789
Fund balances:			
Restricted for:			
Debt service	98,008	1,888,500	1,986,508
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,268,797</b>	<b>1,888,500</b>	<b>4,157,297</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT



GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2018

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,983,905	-	1,983,905
Other	-	17,023	17,023
State sources	19,256	-	19,256
TOTAL REVENUES	<u>2,003,161</u>	<u>17,023</u>	<u>2,020,184</u>
EXPENDITURES:			
Long-term debt:			
Principal	1,475,000	670,000	2,145,000
Interest and fiscal charges	512,283	263,892	776,175
TOTAL EXPENDITURES	<u>1,987,283</u>	<u>933,892</u>	<u>2,921,175</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>15,878</u>	<u>(916,869)</u>	<u>(900,991)</u>
Other financing sources:			
Transfer in	-	931,895	931,895
Total other financing sources	<u>-</u>	<u>931,895</u>	<u>931,895</u>
Change in fund balances	15,878	15,026	30,904
Fund balances beginning of year	<u>82,130</u>	<u>1,873,474</u>	<u>1,955,604</u>
Fund balances end of year	<u>\$ 98,008</u>	<u>1,888,500</u>	<u>1,986,508</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2018

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>Elementary</u></b>				
Elementary Health Club	\$ 318	-	210	108
Elementary Student Activity	375	-	-	375
	<u>693</u>	<u>-</u>	<u>210</u>	<u>483</u>
<b><u>Music</u></b>				
Instrumental Music	3,771	13,922	13,704	3,989
Band/Vocal Travel	405	-	-	405
MS Band	810	2,915	3,145	580
Vocal Music	2,099	4,234	5,142	1,191
MS Vocal	-	79	79	-
	<u>7,085</u>	<u>21,150</u>	<u>22,070</u>	<u>6,165</u>
<b><u>Miscellaneous</u></b>				
Backpack buddies	1,910	1,341	954	2,297
Athletic boosters	-	45,486	45,486	-
General Activity	7,696	1,396	1,042	8,050
	<u>9,606</u>	<u>48,223</u>	<u>47,482</u>	<u>10,347</u>
<b><u>Athletics</u></b>				
General Athletics	5,192	135,744	132,682	8,254
Boy's Soccer	2,095	1,997	2,208	1,884
Girl's Soccer	2,602	17,049	13,056	6,595
Baseball	792	-	-	792
Football Camp	1,608	683	937	1,354
Wrestling	2,000	38	967	1,071
Wrestling Camp	595	1,347	894	1,048
Cross Country Camp	896	6,650	6,496	1,050
Baseball Camp	1,371	-	1,225	146
Girls Basketball Camp	1,480	4,192	5,270	402
Boys Basketball Camp	3,815	2,629	1,518	4,926
Volleyball Camp	6,157	2,743	2,382	6,518
Cheer Camp	616	-	268	348
	<u>29,219</u>	<u>173,072</u>	<u>167,903</u>	<u>34,388</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>Classes</u></b>				
Class of 2018	114	6,563	6,524	153
Class of 2019	-	8,024	4,855	3,169
	114	14,587	11,379	3,322
<b><u>Athletic support</u></b>				
Cheerleading MS I	13	-	-	13
Cheerleading HS II	546	-	36	510
Fitness Club	155	-	-	155
Cheer-HS Basketball	2,445	5,191	6,516	1,120
Cheer-HS Football	2,363	240	75	2,528
Cheer-HS Wrestling	21	2,007	488	1,540
	5,543	7,438	7,115	5,866
<b><u>HS clubs/organizations</u></b>				
Yearbook	20,290	6,273	9,245	17,318
Business Club	-	-	-	-
Drama	3,379	4,682	5,180	2,881
After Prom	4,205	9,541	6,757	6,989
FCCLA	5,004	11,109	14,476	1,637
History Club	362	-	-	362
HS Student Council	6,686	5,750	7,502	4,934
MOC	50	-	-	50
Spanish Club	2,886	-	-	2,886
Fine Arts Boosters	-	128	128	-
Art Club	-	3,144	2,960	184
Secondary Student Pop	165	-	-	165
National Honor Society	50	-	-	50
Industrial Education Projects	-	4,680	4,434	246
Agriculture Education	573	2,272	1,777	1,068
Science Club	9	-	-	9
FFA	8,966	22,231	20,946	10,251
Dance	1,903	1,010	1,800	1,113
Flight Club	152	-	-	152
Thespian Society	6	-	6	-
Student Activity	1,675	1,109	806	1,978
	56,361	71,929	76,017	52,273
<b><u>Middle school</u></b>				
MS Special Olympics	61	-	-	61
MS Musical	2,180	2,433	1,479	3,134
MS Student Activity	-	976	976	-
MS Guidance	81	-	-	81
MS FCCLA	-	60	60	-
MS Yearbook	8,820	628	3,967	5,481
MS Student Council	396	5,791	5,013	1,174
	11,538	9,888	11,495	9,931
<b><u>Intermediate school</u></b>				
Student Activity	17	1,815	636	1,196
Totals	\$ 120,176	348,102	344,307	123,971

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 9,275,768	8,780,836	7,694,989	7,069,952	6,741,390	7,912,239	8,026,253	7,422,490	6,852,662	6,296,974
Tuition	1,433,206	1,477,959	1,364,329	1,325,907	1,334,353	1,256,164	1,276,564	1,308,836	1,212,944	1,117,011
Other	722,911	879,526	987,657	863,692	1,229,704	865,195	868,275	790,325	895,485	1,120,873
State sources	9,796,413	9,484,303	8,900,671	8,775,107	7,868,719	6,349,315	5,922,163	5,371,584	4,712,487	5,290,618
Federal sources	336,014	272,367	249,270	424,416	235,610	780,272	346,652	624,365	934,307	379,014
<b>Total</b>	<b>\$ 21,564,312</b>	<b>20,894,991</b>	<b>19,196,916</b>	<b>18,459,074</b>	<b>17,409,776</b>	<b>17,163,185</b>	<b>16,439,907</b>	<b>15,517,600</b>	<b>14,607,885</b>	<b>14,204,490</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 7,974,430	7,968,003	7,429,364	6,711,513	6,781,612	6,371,385	6,027,763	5,580,872	5,183,859	5,236,232
Special	1,758,745	1,566,734	1,588,213	1,225,019	1,387,866	1,297,830	1,241,428	1,377,017	1,301,969	1,329,561
Other	2,197,416	2,320,414	1,918,459	2,193,111	2,213,468	2,022,284	2,041,010	1,919,858	1,898,309	1,705,012
<b>Support services:</b>										
Student	263,433	328,156	382,889	443,744	431,759	326,177	229,282	155,810	155,266	146,556
Instructional staff	582,375	470,670	444,596	884,626	475,453	465,600	403,903	376,610	383,309	363,677
Administration	1,542,907	1,554,600	1,479,463	1,491,807	1,501,623	1,377,253	1,228,173	1,052,647	1,034,447	1,047,041
Operation and maintenance of plant	1,446,429	1,404,622	1,421,340	1,212,276	1,227,890	889,921	823,255	828,007	837,633	826,804
Transportation	637,012	623,796	551,703	639,385	668,288	701,188	576,238	560,077	485,482	482,829
<b>Non-instructional programs:</b>										
Food service operations	16,670	3,145	1,120	368	1,000	1,277	-	11,327	11,258	10,212
Community service operations	-	-	-	-	50	33	-	41	692	4,194
Capital outlay	863,035	218,125	235,173	754,601	10,205,067	16,526,076	6,294,207	1,442,205	451,456	314,137
<b>Long term debt:</b>										
Principal	2,145,000	1,725,000	1,685,000	1,685,000	6,870,000	825,000	2,405,000	920,000	890,000	850,000
Interest and fiscal charges	776,175	819,586	826,077	907,978	1,010,286	847,170	615,876	403,756	435,329	467,584
<b>Other expenditures:</b>										
AEA flow-through	602,792	570,309	540,175	526,962	493,400	460,602	426,301	445,562	432,541	380,378
<b>Total</b>	<b>\$ 20,806,419</b>	<b>19,573,160</b>	<b>18,503,572</b>	<b>18,676,390</b>	<b>33,267,762</b>	<b>32,111,796</b>	<b>22,312,436</b>	<b>15,073,789</b>	<b>13,501,550</b>	<b>13,164,217</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

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

**To the Board of Education of Gilbert Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Gilbert Community School District as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2019.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-18 to be a material weakness.

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

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2019  
Newton, Iowa

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULED OF FINDINGS  
YEAR ENDED JUNE 30, 2018

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-18 Segregation of Duties

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

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Inventories - ordering, receiving, issuing and storing.
- 3) Capital assets - purchasing, recording and reconciling.
- 4) Payroll - recordkeeping, preparation.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - writing, posting and approving.

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

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

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

Response - The District will continue to look at best practices for internal controls to be used for the District. The District will utilize all office employees when possible to achieve the highest level of segregation of duties as possible.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULED OF FINDINGS  
YEAR ENDED JUNE 30, 2018

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-18 Certified Budget - Expenditures for the year ended June 30, 2018 did not exceed certified budgeted amounts.
- II-B-18 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-18 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-18 Business Transactions - The following business transactions between the District and District employees were noted.

Name, Title and Business Connection	Transaction Description	Amount
Melody Clouser, Kitchen Staff Spouse owns Clouser Plumbing	Purchased services	\$28,958
Nancy Nelson, Para Spouse owns Central State Roofing	Purchased services	\$82,800

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with relatives of District employees or officials do not appear to represent a conflict of interest.

- II-E-18 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-18 Certified Enrollment - We noted a variance in the basic enrollment certified to the Iowa Department of Education. Certified enrollment was net understated by 0.34, 1.0 understated for missed resident student and a net 0.66 overstated for three students incorrectly funded as ELL, for the fall 2017 count.

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

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

Conclusion - Response accepted.



- II-H-18 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-18 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-18 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in amounts reports.
- II-K-18 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-18 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2018, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2018 audit:

Beginning Balance		\$ 1,978,732
Revenues/transfer in:		
Sales tax revenues	\$ 1,326,694	<u>1,326,694</u>
		3,305,426
Transfer to other funds:		
Land purchased	\$ 94,128	
Debt service fund	<u>931,895</u>	<u>1,026,023</u>
Ending Balance		<u><u>\$ 2,279,403</u></u>

For the year ended June 30, 2018, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-18 Deficit Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant deficit student lunch account balances on the books.

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

Response - The District will continue to monitor student lunch accounts that have a deficit. The District will continue to follow their policies in place to successfully support parents to pay their deficits in a timely manner.

Conclusion - Response accepted.

II-N-18 Copier Lease - We noted a copier lease with Access System that was not signed by the Board President. Chapter 291.1 of the Code of Iowa requires all contracts entered into by the District to be signed by the Board President.

Recommendation - The District should have the Board President sign all contracts entered into by the District in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District subsequently has the Board President signing all contracts.

Conclusion - Response accepted.