

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2019

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Gilbert Community School District

Officials

Board of Education

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	2019
Gail Hopkins	Board Secretary/Treasurer and Business Manager	2019
Ahlers & Cooney, P.C.	Attorney	2019

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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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, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require 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 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2018 (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 March 27, 2020, 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2020
Newton, Iowa

GILBERT COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,558,187 in fiscal year 2018 to \$17,636,878 in fiscal year 2019, while General Fund expenditures increased from \$15,754,504 in fiscal year 2018 to \$16,893,643 in fiscal year 2019. The District's General Fund balance increased from \$2,370,684 at June 30, 2018 to \$3,113,919 at June 30, 2019, a 31.35% increase from the prior year.
- The increase in General Fund revenues was mostly attributable to increased local revenues received as compared to the prior year. The increase in expenditures was due primarily to an increase in instruction expenditures incurred as compared to the prior year.
- The District's total net position increased from \$16,992,947 at June 30, 2018 to \$19,402,328 at June 30, 2019. Total revenues increased from \$22,291,719 in fiscal year 2018 to \$23,925,862 in fiscal year 2019, a 7.33% increase, while total expenses increased from \$20,081,746 in fiscal year 2018 to \$21,516,481 in fiscal year 2019, a 7.14% increase compared to the prior year. The increase in revenues was primarily due to increase in statewide sales, services and use tax and unrestricted interest, while the increase in expenses occurred primarily in the support services functional area.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental and business type activities were financed in the short term as well as what remains for future spending. Fund financial statements report 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.

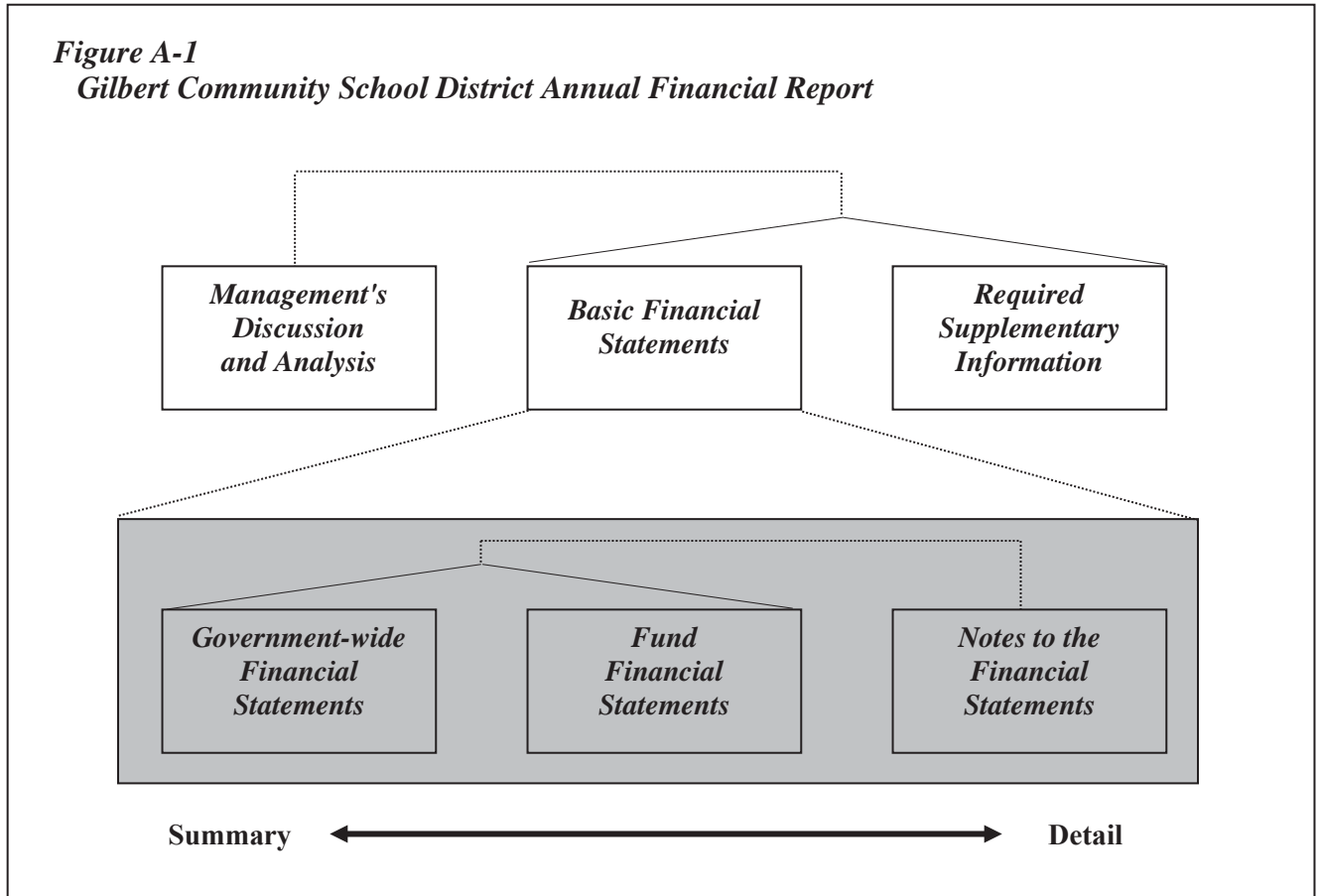


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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, 2019 compared to June 30, 2018.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Current and other assets	\$ 31,784,385	19,910,130	126,126	149,148	31,910,511	20,059,278	59.08%
Capital assets	46,724,289	42,081,489	163,930	171,545	46,888,219	42,253,034	10.97%
Total assets	<u>78,508,674</u>	<u>61,991,619</u>	<u>290,056</u>	<u>320,693</u>	<u>78,798,730</u>	<u>62,312,312</u>	<u>26.46%</u>
Deferred outflows of resources	2,817,304	3,278,591	63,310	68,213	2,880,614	3,346,804	-13.93%
Long-term liabilities	46,509,249	34,797,535	196,093	185,219	46,705,342	34,982,754	33.51%
Other liabilities	3,680,847	2,508,799	57,875	54,772	3,738,722	2,563,571	45.84%
Total liabilities	<u>50,190,096</u>	<u>37,306,334</u>	<u>253,968</u>	<u>239,991</u>	<u>50,444,064</u>	<u>37,546,325</u>	<u>34.35%</u>
Deferred inflows of resources	11,811,255	11,099,850	21,697	19,994	11,832,952	11,119,844	6.41%
Net position:							
Net investment in capital assets	8,694,289	15,991,489	163,930	171,545	8,858,219	16,163,034	-45.19%
Restricted	14,749,189	5,498,716	-	-	14,749,189	5,498,716	168.23%
Unrestricted	(4,118,851)	(4,626,179)	(86,229)	(42,624)	(4,205,080)	(4,668,803)	9.93%
Total net position	<u>\$ 19,324,627</u>	<u>16,864,026</u>	<u>77,701</u>	<u>128,921</u>	<u>19,402,328</u>	<u>16,992,947</u>	<u>14.18%</u>

The District's combined net position increased by 14.18%, or \$2,409,381, 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 168.23%, or \$9,250,473, from the prior year. This increase in restricted net position is mainly attributable to the increase in ending fund balance for the Capital Projects.

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 9.93%, or \$463,723, 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, 2019 compared to the year ended June 30, 2018.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Program revenues:							
Charges for service	\$ 1,749,803	1,868,625	515,823	544,488	2,265,626	2,413,113	-6.11%
Operating grants, contributions and restricted interest	1,338,690	1,288,010	189,140	179,745	1,527,830	1,467,755	4.09%
General revenues:							
Property tax	10,158,511	9,275,768	-	-	10,158,511	9,275,768	9.52%
Statewide sales, services and use tax	1,524,793	1,326,695	-	-	1,524,793	1,326,695	14.93%
Unrestricted state grants	8,043,748	7,637,012	-	-	8,043,748	7,637,012	5.33%
Unrestricted interest	279,399	51,090	564	505	279,963	51,595	442.62%
Other	123,718	117,112	1,673	2,669	125,391	119,781	4.68%
Total revenues	<u>23,218,662</u>	<u>21,564,312</u>	<u>707,200</u>	<u>727,407</u>	<u>23,925,862</u>	<u>22,291,719</u>	<u>7.33%</u>
Program expenses:							
Instruction	12,761,868	12,563,485	-	-	12,761,868	12,563,485	1.58%
Support services	5,168,319	4,428,917	-	315	5,168,319	4,429,232	16.69%
Non-instructional programs	-	16,670	749,802	661,273	749,802	677,943	10.60%
Other expenses	2,836,492	2,411,086	-	-	2,836,492	2,411,086	17.64%
Total expenses	<u>20,766,679</u>	<u>19,420,158</u>	<u>749,802</u>	<u>661,588</u>	<u>21,516,481</u>	<u>20,081,746</u>	<u>7.14%</u>
Excess(Deficiency) of revenues over(under) expenses	2,451,983	2,144,154	(42,602)	65,819	2,409,381	2,209,973	9.02%
Transfers	8,618	13,743	(8,618)	(13,743)	-	-	0.00%
Change in net position	2,460,601	2,157,897	(51,220)	52,076	2,409,381	2,209,973	9.02%
Net position beginning of year	<u>16,864,026</u>	<u>14,706,129</u>	<u>128,921</u>	<u>76,845</u>	<u>16,992,947</u>	<u>14,782,974</u>	<u>14.95%</u>
Net position end of year	<u>\$ 19,324,627</u>	<u>16,864,026</u>	<u>77,701</u>	<u>128,921</u>	<u>19,402,328</u>	<u>16,992,947</u>	<u>14.18%</u>

In fiscal year 2019, property tax and unrestricted state grants accounted for 78.39% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.68% of the revenue from business type activities.

The District's total revenues were \$23,928,187 of which \$23,925,862 was for governmental activities and \$749,802 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.33% increase in revenues and a 7.14% 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 support services functional area as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$23,218,662 and expenses were \$20,766,679 for the year ended June 30, 2019.

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

	Total Cost of Services			Net Cost of Services		
	2019	2018	Change 2018-19	2019	2018	Change 2018-19
Instruction	\$ 12,761,868	12,563,485	1.58%	10,354,604	10,033,664	3.20%
Support services	5,168,319	4,428,917	16.69%	5,127,099	4,405,128	16.39%
Non-instructional programs	-	16,670	-100.00%	-	16,670	-100.00%
Other expenses	2,836,492	2,411,086	17.64%	2,196,483	1,808,294	21.47%
Totals	\$ 20,766,679	19,420,158	6.93%	17,678,186	16,263,756	8.70%

For the year ended June 30, 2019:

- The cost financed by users of the District's programs was \$1,749,803.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,338,690.
- The net cost of governmental activities was financed with \$10,158,511 in property tax, \$1,524,793 in statewide sales, services and use tax, \$8,043,748 in unrestricted state grants, \$279,399 in interest income and \$123,718 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2019 were \$707,200 and expenses were \$749,802. 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 \$17,508,843, above last year's ending fund balances of a \$7,438,862. The primary reason for the increase in combined fund balances at the end of fiscal year 2019 is the increase in the Capital Projects 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 \$2,370,684 at June 30, 2018 to \$3,113,919 at June 30, 2019. 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 increased from \$2,477,978 at June 30, 2018 to \$11,759,375 at June 30, 2019. The primary reason for this increase in fund balance was due to issuance of new general obligation bonds.
 - The Debt Service Fund balance increased from \$1,986,508 at June 30, 2018 to \$2,017,336 at June 30, 2019. Revenues and expenditures did not vary significantly from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$128,921 at June 30, 2018 to \$77,701 at June 30, 2019.

BUDGETARY HIGHLIGHTS

The District's revenues were \$252,982 less than budgeted revenues, a variance of 98.95%. 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, 2019, the District had invested \$46,888,219, 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 increase of 10.97% from last year. More detailed information about capital assets is available in Note 7 to the financial statements. Depreciation expense for the year was \$1,301,061.

The original cost of the District's capital assets was \$63,574,550. Governmental funds account for \$63,002,958 with the remainder of \$571,592 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$5,720,322 at June 30, 2019, compared to \$607,513 reported at June 30, 2018. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds and revenue bonds totaling \$10,000,000 for new Elementary building and \$4,000,000 for MS and HS additions and renovations.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Land	\$ 1,241,123	1,241,123	-	-	1,241,123	1,241,123	0.00%
Construction in progress	5,720,322	607,513	-	-	5,720,322	607,513	841.60%
Intangibles	6,451	12,904	-	-	6,451	12,904	-50.01%
Buildings	38,303,756	38,750,996	-	-	38,303,756	38,750,996	-1.15%
Land improvements	1,025,334	948,007	-	-	1,025,334	948,007	8.16%
Machinery and equipment	427,303	520,946	163,930	171,545	591,233	692,491	-14.62%
Total	<u>\$ 46,724,289</u>	<u>42,081,489</u>	<u>163,930</u>	<u>171,545</u>	<u>46,888,219</u>	<u>42,253,034</u>	<u>10.97%</u>

Long-Term Debt

At June 30, 2019, the District had \$38,030,000 of total long-term debt outstanding. This represents an increase of 45.76% 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.

In July 2018, the District's voters authorized the issuance of \$10,000,000 of general obligation bonds to pay for construction of a new Int/Elementary Building. Planning for the project started in fiscal year 2017 and the bonds were sold in fiscal year 2019.

In January 2019, the District's voters authorized the issuance of \$4,000,000 of general obligation bonds to pay for MS&HS Additions and Renovations. Planning for the project started in fiscal year 2018 and the bonds were sold in fiscal year 2019.

The District had revenue bonded indebtedness of \$9,110,000 at June 30, 2019 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding general obligation bonded indebtedness of \$28,920,000 at June 30, 2019 payable from the Debt Service Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2019	2018	2018-19
General obligation bonds	\$ 28,920,000	16,295,000	77.48%
Revenue bonds	9,110,000	9,795,000	-6.99%
Totals	<u>\$ 38,030,000</u>	<u>26,090,000</u>	<u>45.76%</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:

- Starting FY21, the Gilbert CSD will be using a flat enrollment growth for Long-Range Planning, this is a decrease from 3% previously used. This is more in line with the enrollment projection provided by ISFIS in September 2016 (1%-1.5%). The 2019 Certified Enrollment showed a 1% enrollment increase.
- On April 3, 2018, the Gilbert CSD voters approved a \$14M GO Bond Referendum with 85.29% approval. The \$14M will provide renovations and safe/secure entries for the elementary and intermediate buildings, middle school and high school renovations and classroom additions, and new athletic improvements such as a new baseball/softball stadium complex.
- On May 14, 2018, the Gilbert CSD hired Story Construction as the construction manager for the \$14M project.
- The \$14M bidding process began with the first bid letting on September 11, 2018. The construction began October 2018, with completion target date of August 2019.
- Again, Gilbert CSD faces challenges of providing the appropriate number of staff needed to educate and support the additional students and facilities, the District not having the appropriate supplemental state aid (1%). Special Education funding is also not sufficient to cover actual special education expenses. FY19 the district realized a (\$381,479.25) deficit passed onto taxpayers, this was a decrease compared to FY18 at (\$559,850.06). The District anticipates the special education program to continue with a deficit in FY20, due to the increase in special education needs, resulting in additional staff and tuitioning students to other districts or programs to meet their needs.

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, 2019

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 20,242,726	109,814	20,352,540
Receivables:			
Property tax:			
Delinquent	11,010	-	11,010
Succeeding year	10,845,066	-	10,845,066
Accounts	50,042	2,633	52,675
Due from other funds	12,979	(12,979)	-
Due from other governments	622,562	1,592	624,154
Inventories	-	25,066	25,066
Capital assets not being depreciated:			
Land and construction in progress	6,961,445	-	6,961,445
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	39,762,844	163,930	39,926,774
TOTAL ASSETS	78,508,674	290,056	78,798,730
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,782,522	62,101	2,844,623
OPEB related deferred outflows	34,782	1,209	35,991
TOTAL ASSETS	2,817,304	63,310	2,880,614
LIABILITIES			
Accounts payable	1,834,429	40	1,834,469
Salaries and benefits payable	1,596,047	35,510	1,631,557
Accrued interest payable	250,371	-	250,371
Unearned revenue	-	22,325	22,325
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,160,000	-	1,160,000
Revenue bonds payable	695,000	-	695,000
Portion due after one year:			
General obligation bonds payable	27,760,000	-	27,760,000
Revenue bonds payable	8,415,000	-	8,415,000
Net pension liability	7,778,183	171,718	7,949,901
Total OPEB liability	701,066	24,375	725,441
TOTAL LIABILITIES	50,190,096	253,968	50,444,064
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	10,845,066	-	10,845,066
Pension related deferred inflows	937,314	20,693	958,007
OPEB related deferred inflows	28,875	1,004	29,879
TOTAL DEFERRED INFLOWS OF RESOURCES	11,811,255	21,697	11,803,073
NET POSITION			
Net investment in capital assets	8,694,289	163,930	8,858,219
Restricted for:			
Categorical funding	604,636	-	604,636
Debt service	1,766,965	-	1,766,965
School infrastructure	10,929,963	-	10,929,963
Physical plant and equipment	829,412	-	829,412
Management levy	457,870	-	457,870
Student activities	160,343	-	160,343
Unrestricted	(4,118,851)	(86,229)	(4,205,080)
TOTAL NET POSITION	\$ 19,324,627	77,701	19,402,328

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 8,587,281	1,248,325	72,660	(7,266,296)	-	(7,266,296)
Special	1,653,646	207,770	288,739	(1,157,137)	-	(1,157,137)
Other	2,520,941	293,708	296,062	(1,931,171)	-	(1,931,171)
	<u>12,761,868</u>	<u>1,749,803</u>	<u>657,461</u>	<u>(10,354,604)</u>	<u>-</u>	<u>(10,354,604)</u>
Support services:						
Student	292,931	-	-	(292,931)	-	(292,931)
Instructional staff	759,921	-	2,504	(757,417)	-	(757,417)
Administration	1,723,575	-	-	(1,723,575)	-	(1,723,575)
Operation and maintenance of plant	1,734,890	-	19,021	(1,715,869)	-	(1,715,869)
Transportation	657,002	-	19,695	(637,307)	-	(637,307)
	<u>5,168,319</u>	<u>-</u>	<u>41,220</u>	<u>(5,127,099)</u>	<u>-</u>	<u>(5,127,099)</u>
Long-term debt interest	1,133,926	-	-	(1,133,926)	-	(1,133,926)
Other expenses:						
AEA flowthrough	640,009	-	640,009	-	-	-
Depreciation(unallocated)*	1,062,557	-	-	(1,062,557)	-	(1,062,557)
	<u>1,702,566</u>	<u>-</u>	<u>640,009</u>	<u>(1,062,557)</u>	<u>-</u>	<u>(1,062,557)</u>
Total governmental activities	<u>20,766,679</u>	<u>1,749,803</u>	<u>1,338,690</u>	<u>(17,678,186)</u>	<u>-</u>	<u>(17,678,186)</u>
Business type activities:						
Support services:						
Administration	700	-	-	-	(700)	(700)
Non-instructional programs:						
Food service operations	749,102	515,823	189,140	-	(44,139)	(44,139)
Total business type activities	<u>749,802</u>	<u>515,823</u>	<u>189,140</u>	<u>-</u>	<u>(44,839)</u>	<u>(44,839)</u>
Total	\$ <u>21,516,481</u>	<u>2,265,626</u>	<u>1,527,830</u>	<u>(17,678,186)</u>	<u>(44,839)</u>	<u>(17,723,025)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 7,085,001	-	7,085,001
Debt service				2,175,349	-	2,175,349
Capital outlay				898,161	-	898,161
Statewide sales, services and use tax				1,524,793	-	1,524,793
Unrestricted state grants				8,043,748	-	8,043,748
Unrestricted investment earnings				279,399	564	279,963
Other				123,718	1,673	125,391
Transfers				8,618	(8,618)	-
Total general revenues and transfers				<u>20,138,787</u>	<u>(6,381)</u>	<u>20,132,406</u>
Change in net position				2,460,601	(51,220)	2,409,381
Net position beginning of year				16,864,026	128,921	16,992,947
Net position end of year				\$ <u>19,324,627</u>	<u>77,701</u>	<u>19,402,328</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 4,484,968	13,111,103	2,017,479	629,176	20,242,726
Receivables:					
Property tax:					
Delinquent	7,326	974	2,357	353	11,010
Succeeding year	6,985,121	959,649	2,327,293	573,003	10,845,066
Accounts	17,416	21,643	-	10,983	50,042
Due from other funds	12,979	-	-	-	12,979
Due from other governments	501,230	121,332	-	-	622,562
TOTAL ASSETS	\$ 12,009,040	14,214,701	4,347,129	1,213,515	31,784,385
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 313,953	1,495,677	2,500	22,299	1,834,429
Salaries and benefits payable	1,596,047	-	-	-	1,596,047
Total liabilities	1,910,000	1,495,677	2,500	22,299	3,430,476
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,985,121	959,649	2,327,293	573,003	10,845,066
Fund balances:					
Restricted for:					
Categorical funding	604,636	-	-	-	604,636
Debt service	-	-	2,017,336	-	2,017,336
School infrastructure	-	10,929,963	-	-	10,929,963
Physical plant and equipment	-	829,412	-	-	829,412
Management levy purposes	-	-	-	457,870	457,870
Student activities	-	-	-	160,343	160,343
Unassigned:					
General	2,509,283	-	-	-	2,509,283
Total fund balances	3,113,919	11,759,375	2,017,336	618,213	17,508,843
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,009,040	14,214,701	4,347,129	1,213,515	31,784,385

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	17,508,843
 <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.		46,724,289
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.		(250,371)
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	\$ 2,817,304	
Deferred inflows of resources	<u>(966,189)</u>	1,851,115
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>(46,509,249)</u>
Net position of governmental activities(page 18)	\$	<u><u>19,324,627</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, 2019

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 6,759,169	898,161	2,175,349	325,832	10,158,511
Tuition	1,315,019	-	-	-	1,315,019
Other	321,696	242,002	31,538	363,067	958,303
State sources	8,873,264	1,533,791	21,734	3,289	10,432,078
Federal sources	354,751	-	-	-	354,751
TOTAL REVENUES	17,623,899	2,673,954	2,228,621	692,188	23,218,662
EXPENDITURES:					
Current:					
Instruction:					
Regular	8,259,225	85,958	-	193,316	8,538,499
Special	1,828,836	-	-	-	1,828,836
Other	1,796,054	6,417	-	313,909	2,116,380
	11,884,115	92,375	-	507,225	12,483,715
Support services:					
Student	308,272	-	-	-	308,272
Instructional staff	458,422	215,955	-	39,826	714,203
Administration	1,630,881	111,237	-	17,379	1,759,497
Operation and maintenance of plant	1,468,981	9,476	-	99,063	1,577,520
Transportation	494,096	136,136	-	21,005	651,237
	4,360,652	472,804	-	177,273	5,010,729
Capital outlay	-	5,961,202	-	-	5,961,202
Long-term debt:					
Principal	-	-	2,060,000	-	2,060,000
Interest and fiscal charges	-	-	1,052,190	-	1,052,190
	-	-	3,112,190	-	3,112,190
Other expenditures:					
AEA flowthrough	640,009	-	-	-	640,009
TOTAL EXPENDITURES	16,884,776	6,526,381	3,112,190	684,498	27,207,845
Excess(Deficiency) of revenues over(under) expenditures	739,123	(3,852,427)	(883,569)	7,690	(3,989,183)
Other financing sources(uses):					
Transfer in	12,979	-	914,397	6,831	934,207
Transfer out	(8,867)	(914,397)	-	-	(923,264)
General obligation bond issuance	-	14,000,000	-	-	14,000,000
Premium on general obligation bond issuance	-	256,087	-	-	256,087
Discount on general obligation bond issuance	-	(207,866)	-	-	(207,866)
Total other financing sources(uses)	4,112	13,133,824	914,397	6,831	14,059,164
Change in fund balances	743,235	9,281,397	30,828	14,521	10,069,981
Fund balances beginning of year	2,370,684	2,477,978	1,986,508	603,692	7,438,862
Fund balances end of year	\$ 3,113,919	11,759,375	2,017,336	618,213	17,508,843

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, 2019

Change in fund balances - total governmental funds(page 22) \$ 10,069,981

*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	\$ 5,917,893	
Depreciation expense	<u>(1,275,093)</u>	4,642,800

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities. 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:

Issued	(14,000,000)	
Repaid	<u>2,060,000</u>	(11,940,000)

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. (81,736)

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. 916,778

District costs associated with the total OPEB liability implicit subsidy after the measurement date, but before year end. 34,782

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	(1,091,535)	
Total OPEB liability and related expenses	<u>(90,469)</u>	<u>(1,182,004)</u>

Change in net position of governmental activities(page 19) \$ 2,460,601

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	Enterprise School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 109,814
Accounts receivable	2,633
Due from other governments	1,592
Inventories	25,066
Total current assets	139,105
Noncurrent assets:	
Capital assets, net of accumulated depreciation	163,930
TOTAL ASSETS	303,035
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	62,101
OPEB related deferred outflows	1,209
TOTAL DEFERRED OUTFLOWS OF RESOURCES	63,310
LIABILITIES	
Current liabilities:	
Due to other funds	12,979
Accounts payable	40
Salaries and benefits payable	35,510
Unearned revenues	22,325
Total current liabilities	70,854
Noncurrent liabilities:	
Net pension liability	171,718
Total OPEB liability	24,375
Total noncurrent liabilities	196,093
TOTAL LIABILITIES	266,947
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred outflows	20,693
OPEB related deferred outflows	1,004
	21,697
NET POSITION	
Net investment in capital assets	163,930
Unrestricted	(86,229)
TOTAL NET POSITION	\$ 77,701

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, 2019

	Enterprise School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 515,823
Miscellaneous	1,673
TOTAL OPERATING REVENUES	517,496
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	700
Non-instructional programs:	
Food service operations:	
Salaries	248,340
Benefits	86,921
Services	1,210
Supplies	386,663
Depreciation	25,968
Total non-instructional programs	749,102
TOTAL OPERATING EXPENSES	749,802
OPERATING LOSS	(232,306)
NON-OPERATING REVENUES:	
Interest	564
State sources	4,823
Federal sources	184,317
TOTAL NON-OPERATING REVENUES	189,704
Change in net position before other financing sources(uses)	(42,602)
Other financing uses(sources):	
Contribution capital	2,325
Transfer in	2,036
Transfer out	(12,979)
Total other financing uses(sources):	(8,618)
Change in net position	(51,220)
Net position beginning of year	128,921
Net position end of year	\$ 77,701

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 518,037
Cash received from miscellaneous	1,673
Cash payments to employees for services	(316,676)
Cash payments to suppliers for goods or services	(342,078)
Net cash used in operating activities	(139,044)
Cash flows from non-capital financing activities:	
Transfers to(from) the General Fund	(10,943)
Net interfund borrowing and repayments	(997)
State grants received	3,231
Federal grants received	128,759
Net cash provided by non-capital financing activities	120,050
Cash flows from investing activities:	
Interest on investments	564
Cash flows from capital financing activities:	
Purchase of capital assets	(16,028)
Net decrease in cash and pooled investments	(34,458)
Cash and pooled investments beginning of year	144,272
Cash and pooled investments end of year	\$ 109,814
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (232,306)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	55,558
Depreciation	25,968
Increase in inventories	(8,981)
Decrease in accounts receivable	134
Decrease in accounts payable	(82)
Increase in salaries and benefits payable	1,105
Increase in unearned revenue	2,080
Increase in net pension liability	8,759
Decrease in deferred outflows of resources	4,903
Increase in deferred inflows of resources	1,703
Increase in net OPEB liability	2,115
Net cash used in operating activities	\$ (139,044)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2019, the District received \$55,558 of federal commodities.
During the year ended June 30, 2019, the District received \$2,325 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS.

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

(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.

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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2018.

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 consist 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, 2019 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, 2019, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,213,591 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, 2019 is as follows:

Due to	Due from	Amount
General	School Nutrition	\$ 12,979

The Nutrition Fund is repaying the General Fund \$12,979 indirect cost not repaid at the end of the year.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
School Nutrition	General	\$ 2,036
Student Activity	General	6,831
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	914,398
General	School Nutrition	12,979
Total		\$ 936,244

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 between the School Nutrition Fund and the General Fund were to for indirect costs repaid during the year and to recode revenues.

The transfer from the General Fund to the Activity Fund is to reimburse expenses more appropriate to the Student Activity Fund.

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,795,000	-	685,000	9,110,000	695,000
General obligation bonds	16,295,000	14,000,000	1,375,000	28,920,000	1,160,000
Net pension liability	8,067,282	-	289,099	7,778,183	-
Net OPEB liability	640,253	60,813	-	701,066	-
Total	\$ 34,797,535	14,060,813	2,349,099	46,509,249	1,855,000
Business type activities:					
Net pension liability	\$ 162,959	8,759	-	171,718	-
Net OPEB liability	22,260	2,115	-	24,375	-
Total	\$ 185,219	10,874	-	196,093	-

General Obligation Bonds Payable

Details of the District's June 30, 2019 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Dated October 1, 2011			Bond Dated February 1, 2012			Bond Dated June 1, 2013			Refunding Bond Dated April 1, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	3.00 %	\$ 150,000	283,308	1.75 %	\$ 100,000	1,750	2.00 %	\$ 85,000	126,875	2.00 %	\$ 625,000	30,500
2021	3.00	160,000	278,807	-	-	-	2.00	185,000	125,175	2.00	640,000	17,900
2022	3.00	170,000	274,008	-	-	-	2.00	185,000	121,475	2.00	415,000	6,250
2023	3.00	170,000	268,907	-	-	-	2.00	190,000	117,775	-	-	-
2024	3.00	280,000	263,808	-	-	-	2.00	195,000	113,975	-	-	-
2025-2029	3.00-3.40	5,380,000	956,807	-	-	-	2.00-2.50	665,000	520,350	-	-	-
2030-2033	3.40-3.55	2,415,000	127,436	-	-	-	2.75-3.00	3,160,000	314,688	-	-	-
Total		<u>\$ 8,725,000</u>	<u>2,453,081</u>		<u>\$ 100,000</u>	<u>1,750</u>		<u>\$ 4,665,000</u>	<u>1,440,313</u>		<u>\$ 1,680,000</u>	<u>54,650</u>

Year Ending June 30,	Bond Dated July 24, 2018			Bond Dated January 23, 2019			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	5.00 %	\$ 100,000	358,056	5.00 %	\$ 100,000	195,386	1,160,000	995,875	2,155,875
2021	5.00	100,000	353,056	5.00	100,000	139,138	1,185,000	914,076	2,099,076
2022	5.00	100,000	348,056	5.00	315,000	134,138	1,185,000	883,927	2,068,927
2023	5.00	735,000	343,056	5.00	125,000	118,388	1,220,000	848,126	2,068,126
2024	5.00	600,000	306,307	5.00	195,000	112,138	1,270,000	796,228	2,066,228
2025-2029	3.25	-	1,381,530	5.0-3.0	1,000,000	439,238	7,045,000	3,297,925	10,342,925
2030-2034	3.25	1,500,000	1,381,530	3.0-3.125	1,165,000	275,488	8,240,000	2,099,142	10,339,142
2035-2038	3.38-3.50	6,615,000	584,459	3.25-3.375	1,000,000	83,438	7,615,000	667,897	8,282,897
Total		<u>\$ 9,750,000</u>	<u>5,056,050</u>		<u>\$ 4,000,000</u>	<u>1,497,349</u>	<u>28,920,000</u>	<u>10,503,193</u>	<u>39,423,193</u>

Revenue Bonds Payable

Details of the District's June 30, 2019, 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
2020	2.00 %	\$ 540,000	184,357	2.00 %	\$ 155,000	52,185	695,000	236,542	931,542
2021	2.10	550,000	173,183	2.00	160,000	49,035	710,000	222,218	932,218
2022	2.25	560,000	161,107	2.00	165,000	45,785	725,000	206,892	931,892
2023	2.40	575,000	147,908	2.00	165,000	42,485	740,000	190,393	930,393
2024	2.50	590,000	133,633	2.25	170,000	38,922	760,000	172,555	932,555
2025-2029	2.60-3.10	3,190,000	414,852	2.40-3.00	905,000	123,565	4,095,000	538,417	4,633,417
2030	3.25-3.40	1,045,000	23,194	3.20	340,000	7,680	1,385,000	30,874	1,415,874
Total		<u>\$ 7,050,000</u>	<u>1,238,234</u>		<u>\$ 2,060,000</u>	<u>359,657</u>	<u>9,110,000</u>	<u>1,597,891</u>	<u>10,707,891</u>

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 46% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$10,707,891. For the current year, \$685,000 in principal and \$250,343 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,524,793.

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) Termination Benefits

In fiscal year 2019 the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for only one year. Eligible employees must have completed at least twelve years of continuous service to the District and must have reached the age of fifty-five on or before the start of the next school calendar year. The application for early retirement was subject to approval by the Board of Education. A maximum of five employees will be approved for early retirement.

Employees granted voluntary early retirement benefits received a one-time Special Pay 403b payment of 48% of the employee's regular contracted salary from the last year of employment, exclusive of extended contract pay, teacher salary supplement pay, supplemental pay, teacher quality pay, over-time pay, and other such salary or wages.

The benefit distributed to the five participants in June 2019 totaled \$123,384.

(7) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,241,123	-	-	1,241,123
Construction in progress	607,513	5,606,557	493,748	5,720,322
Total capital assets not being depreciated	<u>1,848,636</u>	<u>5,606,557</u>	<u>493,748</u>	<u>6,961,445</u>
Capital assets being depreciated:				
Buildings	48,442,665	545,191	-	48,987,856
Land improvements	1,905,287	147,453	-	2,052,740
Intangible assets	32,263	-	-	32,263
Machinery and equipment	4,856,214	112,440	-	4,968,654
Total capital assets being depreciated	<u>55,236,429</u>	<u>805,084</u>	<u>-</u>	<u>56,041,513</u>
Less accumulated depreciation for:				
Buildings	9,691,669	992,431	-	10,684,100
Land improvements	957,280	70,126	-	1,027,406
Intangible assets	19,359	6,453	-	25,812
Machinery and equipment	4,335,268	206,083	-	4,541,351
Total accumulated depreciation	<u>15,003,576</u>	<u>1,275,093</u>	<u>-</u>	<u>16,278,669</u>
Total capital assets being depreciated, net	<u>40,232,853</u>	<u>(470,009)</u>	<u>-</u>	<u>39,762,844</u>
Governmental activities capital assets, net	<u>\$ 42,081,489</u>	<u>5,136,548</u>	<u>493,748</u>	<u>46,724,289</u>
Business type activities:				
Machinery and equipment	\$ 553,239	18,353	-	571,592
Less accumulated depreciation	381,694	25,968	-	407,662
Business type activities capital assets	<u>\$ 171,545</u>	<u>(7,615)</u>	<u>-</u>	<u>163,930</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 34,813
Special	2,111
Other	22,455
Support services:	
Instructional staff	4,131
Administration	27,546
Operation and maintenance of plant	13,618
Transportation	107,862
	<u>212,536</u>
Unallocated depreciation	<u>1,062,557</u>
Total governmental activities depreciation expense	<u>\$ 1,275,093</u>

Business type activities:

Food service operations	<u>\$ 25,968</u>
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(8) 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.

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

The District's contributions to IPERS for the year ended June 30, 2019 were \$937,688.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$7,949,901 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the District's proportion was 0.125626%, which was an increase of 0.002072% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the District recognized pension expense of \$1,127,987. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,588	179,681
Changes of assumptions	1,134,103	-
Net difference between projected and actual earnings on IPERS' investments	-	218,437
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	729,244	559,889
District contributions subsequent to the measurement date	937,688	-
Total	<u>\$ 2,844,623</u>	<u>958,007</u>

\$937,688 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 550,626
2021	252,360
2022	74,810
2023	72,492
2024	(1,360)
	<u>\$ 948,928</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<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	\$ 13,492,580	7,949,901	3,300,418

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.

Payables to IPERS - At June 30, 2019, the District reported payables to IPERS of \$154,019 for legally required District contributions and \$102,625 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

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

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

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

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

Total OPEB Liability - The District's total OPEB liability of \$725,441 at June 30, 2019 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

Rate of inflation (effective June 30, 2018)	2.75% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.62% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.80% initial rate decreasing over several decades to an ultimate rate of 4.40%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.62% 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-2000 mortality tables with projected mortality improvements based on scale AA, and other adjustments.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 662,513
Changes for the year:	
Service cost	71,808
Interest	25,589
Changes in assumptions	(3,411)
Benefit payments	<u>(31,058)</u>
Net changes	<u>62,928</u>
Total OPEB liability end of year	<u>\$ 725,441</u>

Changes of assumptions reflect a change in the discount rate from 3.56% at June 30, 2017 to 3.62% at the June 30, 2018 measurement date used for the reporting date of June 30, 2019.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.62%) or 1% higher (4.62%) than the current discount rate.

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 784,156	725,441	670,734

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	\$ 633,638	725,441	835,900

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$93,616. At June 30, 2019, 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	\$ -	29,879
Contributions between measurement date and reporting date	35,991	-
Total	<u>\$ 35,991</u>	<u>29,879</u>

\$35,991 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (3,781)
2021	(3,781)
2022	(3,781)
2023	(3,781)
2024	(3,781)
Thereafter	<u>(10,974)</u>
Total	<u>\$ (29,879)</u>

(10) Risk Management

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

(11) Area Education Agency

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 \$640,009 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

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

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

Program	Amount
Limited english proficient	\$ 3,043
Four-year-old preschool state aid	88,161
Home school assistance program	238,851
Beginning teacher mentoring and induction program	10,386
Teacher salary supplement	11,775
Successful progression for early readers	16,983
Professional development	83,870
Teacher leadership state aid	151,567
Total	\$ 604,636

(13) 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 2019.

(14) Reconciliation of Governmental Fund Balances to Net Position

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

	Net	Debt	Unassigned/ Unrestricted
	Investment in Capital Assets	Service	Balances
Fund balance (Exhibit C)	\$ -	2,017,336	2,509,283
Capital assets, net of accumulated depreciation	46,724,289	-	-
General obligation bond capitalized indebtedness	(28,920,000)	-	-
Revenue bond capitalized indebtedness	(9,110,000)	-	-
Accrued interest payable	-	(250,371)	-
Net pension liability	-	-	(7,778,183)
Pension related deferred outflows	-	-	2,782,522
Pension related deferred inflows	-	-	(937,314)
Total OPEB liability	-	-	(701,066)
OPEB related deferred outflows	-	-	34,782
OPEB related deferred inflows	-	-	(28,875)
Net position (Exhibit A)	\$ 8,694,289	1,766,965	(4,118,851)

(15) Construction Commitment

At June 30, 2019, the District has entered into contracts for the construction of a HS remodeling project. As of June 30, 2019, costs of \$5,720,322, 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) Prospective Accounting Change

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

GILBERT COMMUNITY SCHOOL DISTRICT

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, 2019

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 12,431,833	518,060	12,949,893	13,293,054	13,293,054	(343,161)
State sources	10,432,078	4,823	10,436,901	10,430,790	10,430,790	6,111
Federal sources	354,751	184,317	539,068	455,000	455,000	84,068
Total revenues	<u>23,218,662</u>	<u>707,200</u>	<u>23,925,862</u>	<u>24,178,844</u>	<u>24,178,844</u>	<u>(252,982)</u>
Expenditures/expenses:						
Instruction	12,483,715	-	12,483,715	13,120,000	13,120,000	636,285
Support services	5,010,729	700	5,011,429	5,737,700	5,737,700	726,271
Non-instructional programs	-	749,102	749,102	775,658	775,658	26,556
Other expenditures	9,713,401	-	9,713,401	19,167,331	19,167,331	9,453,930
Total expenditures/expenses	<u>27,207,845</u>	<u>749,802</u>	<u>27,957,647</u>	<u>38,800,689</u>	<u>38,800,689</u>	<u>10,843,042</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,989,183)	(42,602)	(4,031,785)	(14,621,845)	(14,621,845)	10,590,060
Other financing sources, net	<u>14,059,164</u>	<u>(8,618)</u>	<u>14,050,546</u>	<u>14,000,000</u>	<u>14,000,000</u>	<u>50,546</u>
Excess(Deficiency) of revenues and other financing sources over (under) expenditures/expenses	10,069,981	(51,220)	10,018,761	(621,845)	(621,845)	10,640,606
Balances beginning of year	<u>7,438,862</u>	<u>128,921</u>	<u>7,567,783</u>	<u>5,587,846</u>	<u>5,587,846</u>	<u>1,979,937</u>
Balances end of year	<u>\$ 17,508,843</u>	<u>77,701</u>	<u>17,586,544</u>	<u>4,966,001</u>	<u>4,966,001</u>	<u>12,620,543</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 FIVE FISCAL YEARS *
 REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.125626%	0.123554%	0.104409%	0.130878%	0.130115%
District's proportionate share of the net pension liability	\$ 7,949,901	8,230,241	6,570,771	6,465,981	5,160,235
District's covered payroll	\$ 9,441,952	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	84.20%	89.24%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

SEE 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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 937,688	843,166	823,573	669,103	800,690	760,315	681,962	581,166	472,334	439,866
Contributions in relation to the statutorily required contribution	\$ (937,688)	(843,166)	(823,573)	(669,103)	(800,690)	(760,315)	(681,962)	(581,166)	(472,334)	(439,866)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,933,144	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
Contributions as a percentage of covered-employee payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

Changes of assumptions:

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

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

	2019	2018
Service cost	\$ 71,808	74,064
Interest cost	25,589	19,838
Changes in assumptions	(3,411)	(33,682)
Benefit payments	(31,058)	(6,063)
Net change in total OPEB liability	62,928	54,157
Total OPEB liability beginning of year	662,513	608,356
Total OPEB liability end of year	<u>\$ 725,441</u>	<u>662,513</u>
Covered-employee payroll	\$ 9,473,030	8,934,281
Total OPEB liability as a percentage of covered-employee payroll	7.66%	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.

Year ended June 30, 2019 3.62%
Year ended June 30, 2018 3.56%
Year 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, 2019

	Special Revenue		
	Student Activity	Management Levy	Total
ASSETS			
Cash and pooled investments	\$ 162,667	466,509	629,176
Receivables:			
Property tax:			
Delinquent	-	353	353
Succeeding year	-	573,003	573,003
Accounts	10,964	19	10,983
TOTAL ASSETS	\$ 173,631	1,039,884	1,213,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 13,288	9,011	22,299
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	573,003	573,003
Fund balances:			
Restricted for:			
Management levy purposes	-	457,870	457,870
Student activities	160,343	-	160,343
Total fund balances	160,343	457,870	618,213
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 173,631	1,039,884	1,213,515

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, 2019

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	325,832	325,832
Other	343,450	19,617	363,067
State sources	-	3,289	3,289
TOTAL REVENUES	343,450	348,738	692,188
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	193,316	193,316
Other	313,909	-	313,909
Support services:			
Instructional Staff	-	39,826	39,826
Administration	-	17,379	17,379
Operation and maintenance of plant	-	99,063	99,063
Transportation	-	21,005	21,005
TOTAL EXPENDITURES	313,909	370,589	684,498
Excess(deficiency) of revenues over(under) expenditures	29,541	(21,851)	7,690
Other financing sources:			
Transfers in	6,831	-	6,831
Change in fund balances	36,372	(21,851)	14,521
Fund balances beginning of year	123,971	479,721	603,692
Fund balances end of year	\$ 160,343	457,870	618,213

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	Total
ASSETS				
Cash and pooled investments	\$ 2,768,467	856,889	9,485,747	13,111,103
Receivables:				
Property tax:				
Delinquent	-	974	-	974
Succeeding year	-	959,649	-	959,649
Accounts	-	21,643	-	21,643
Due from other governments	121,332	-	-	121,332
TOTAL ASSETS	\$ 2,889,799	1,839,155	9,485,747	14,214,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 69,856	50,094	1,375,727	1,495,677
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	959,649	-	959,649
Fund balances:				
Restricted for:				
School infrastructure	2,819,943	-	8,110,020	10,929,963
Physical plant and equipment	-	829,412	-	829,412
Total fund balances	2,819,943	829,412	8,110,020	11,759,375
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,889,799	1,839,155	9,485,747	14,214,701

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, 2019

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Bond Construction Fund	
REVENUES:				
Local sources:				
Local tax	\$ -	898,161	-	898,161
Other	-	58,061	183,941	242,002
State sources	1,524,793	8,998	-	1,533,791
TOTAL REVENUES	1,524,793	965,220	183,941	2,673,954
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	85,958	-	85,958
Other	-	6,417	-	6,417
Support services:				
Instructional staff	-	215,955	-	215,955
Administration	-	111,237	-	111,237
Operation and maintenance of plant	-	9,476	-	9,476
Transportation	-	136,136	-	136,136
Capital outlay	69,856	267,168	5,624,178	5,961,202
TOTAL EXPENDITURES	69,856	832,347	5,624,178	6,526,381
Excess(deficiency) of revenues over(under) expenditures	1,454,937	132,873	(5,440,237)	(3,852,427)
Other financing sources(uses):				
Transfer out	(914,397)	-	-	(914,397)
General obligation bond issuance	-	-	14,000,000	14,000,000
Premium on general obligation bond issuance	-	-	256,087	256,087
Discount on general obligation bond issuance	-	-	(207,866)	(207,866)
Total other financing sources(uses)	(914,397)	-	14,048,221	13,133,824
Change in fund balances	540,540	132,873	8,607,984	9,281,397
Fund balances beginning of year	2,279,403	696,539	(497,964)	2,477,978
Fund balances end of year	\$ 2,819,943	829,412	8,110,020	11,759,375

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND ACCOUNTS
 JUNE 30, 2019

	Debt Service		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 118,386	1,899,093	2,017,479
Receivables:			
Property tax:			
Delinquent	2,357	-	2,357
Succeeding year	2,327,293	-	2,327,293
TOTAL ASSETS	\$ 2,448,036	1,899,093	4,347,129
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,500	-	2,500
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	2,327,293	-	2,327,293
Fund balances:			
Restricted for:			
Debt service	118,243	1,899,093	2,017,336
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,448,036	1,899,093	4,347,129

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, 2019

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,175,349	-	2,175,349
Other	-	31,538	31,538
State sources	21,734	-	21,734
TOTAL REVENUES	2,197,083	31,538	2,228,621
EXPENDITURES:			
Long-term debt:			
Principal	1,375,000	685,000	2,060,000
Interest and fiscal charges	801,848	250,342	1,052,190
TOTAL EXPENDITURES	2,176,848	935,342	3,112,190
Excess(Deficiency) of revenues over(under) expenditures	20,235	(903,804)	(883,569)
Other financing sources:			
Transfer in	-	914,397	914,397
Change in fund balances	20,235	10,593	30,828
Fund balances beginning of year	98,008	1,888,500	1,986,508
Fund balances end of year	\$ 118,243	1,899,093	2,017,336

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<u>Elementary</u>					
Elementary Health Club	\$ 108	360	738	5,250	4,980
Elementary Student Activity	375	20	395	-	-
	<u>483</u>	<u>380</u>	<u>1,133</u>	<u>5,250</u>	<u>4,980</u>
<u>Middle school</u>					
MS Guidance	81	-	-	(81)	-
MS Special Olympics	61	-	-	(61)	-
MS Musical	3,134	2,638	2,061	-	3,711
MS Student Activity	-	560	853	537	244
MS Student Council	1,174	6,265	4,208	-	3,231
MS Yearbook	5,481	773	-	-	6,254
	<u>9,931</u>	<u>10,236</u>	<u>7,122</u>	<u>395</u>	<u>13,440</u>
<u>Classes</u>					
Class of 2018	153	-	-	-	153
Class of 2019	3,169	4,680	7,630	-	219
Class of 2020	-	5,360	4,083	-	1,277
	<u>3,322</u>	<u>10,040</u>	<u>11,713</u>	<u>-</u>	<u>1,649</u>
<u>Music</u>					
5-8 Band Resale	580	2,403	2,794	-	189
9-12 Band	3,989	12,863	13,127	-	3,725
9-12 Vocal Music	1,191	3,238	5,237	1,081	273
Band/Vocal Travel	405	-	-	-	405
	<u>6,165</u>	<u>18,504</u>	<u>21,158</u>	<u>1,081</u>	<u>4,592</u>
<u>Miscellaneous</u>					
Athletic boosters	-	42,251	42,251	-	-
Backpack buddies	2,297	1,416	968	-	2,745
General Activity	8,050	570	-	-	8,620
	<u>10,347</u>	<u>44,237</u>	<u>43,219</u>	<u>-</u>	<u>11,365</u>
<u>Athletic support</u>					
Cheer-HS Basketball	1,120	3,761	2,751	-	2,130
Cheer-HS Football	2,528	2,297	4,531	-	294
Cheer-HS Wrestling	1,540	452	1,340	-	652
Cheerleaders	-	-	-	523	523
Cheerleading MS I	13	-	-	(13)	-
Cheerleading HS II	510	-	-	(510)	-
FCA	-	2,500	-	-	2,500
Fitness Club	155	-	-	(155)	-
	<u>5,866</u>	<u>9,010</u>	<u>8,622</u>	<u>(155)</u>	<u>6,099</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<u>Athletics</u>					
Baseball	792	899	1,203	-	488
Boy's Soccer	1,884	-	-	-	1,884
Cross Country	-	1,048	1,048	-	-
Football	-	7,172	7,172	-	-
General Athletics	8,254	161,145	136,344	155	33,210
Girls Basketball	-	729	729	-	-
Girl's Soccer	6,595	-	2,597	-	3,998
Baseball Camp	146	-	-	-	146
Boys Basketball Camp	4,926	635	505	-	5,056
Cheer Camp	348	-	194	-	154
Cross Country Camp	1,050	6,902	7,952	-	-
Football Camp	1,354	6,873	2,302	-	5,925
Girls Basketball Camp	402	1,230	1,632	-	-
Softball Camp	-	914	314	-	600
Volleyball Camp	6,518	3,553	3,136	-	6,935
Wrestling	1,071	1,078	923	-	1,226
Wrestling Camp	1,048	-	-	-	1,048
	<u>34,388</u>	<u>192,178</u>	<u>166,051</u>	<u>155</u>	<u>60,670</u>
<u>HS clubs/organizations</u>					
After Prom	6,989	6,724	7,785	-	5,928
Agriculture Education	1,068	406	1,105	-	369
Art Club	184	2,390	2,507	-	67
Dance	1,113	227	545	-	795
Drama	2,881	3,313	4,601	-	1,593
FCCLA	1,637	6,189	7,175	-	651
FFA	10,251	22,243	19,636	-	12,858
Fine Arts Boosters	-	79	79	-	-
HS Student Activity	1,978	3,149	3,138	793	2,782
HS Student Council	4,934	6,190	5,781	-	5,343
Industrial Education Projects	246	50	-	50	346
MDC	50	-	-	(50)	-
National Honor Society	50	-	50	-	-
Spanish Club	2,886	-	-	-	2,886
Thespian Society	-	141	95	-	46
Yearbook	17,318	6,500	777	-	23,041
History Club	362	-	-	(362)	-
Secondary Student Pop	165	-	-	(165)	-
Science Club	9	-	-	(9)	-
Flight Club	152	-	-	(152)	-
	<u>52,273</u>	<u>57,601</u>	<u>53,274</u>	<u>105</u>	<u>56,705</u>
<u>Intermediate school</u>					
Student Activity	1,196	1,264	1,617	-	843
Totals	<u>\$ 123,971</u>	<u>343,450</u>	<u>313,909</u>	<u>6,831</u>	<u>160,343</u>

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 10,158,511	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
Tuition	1,315,019	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
Other	958,303	722,911	879,526	987,657	863,692	1,229,704	865,195	868,275	790,325	895,485
State sources	10,432,078	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
Federal sources	354,751	336,014	272,367	249,270	424,416	235,610	780,272	346,652	624,365	934,307
Total	\$ 23,218,662	21,564,312	20,894,991	19,196,916	18,459,074	17,409,776	17,163,185	16,439,907	15,517,600	14,607,885
Expenditures:										
Instruction:										
Regular	\$ 8,538,499	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
Special	1,828,836	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
Other	2,116,380	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
Support services:										
Student	308,272	263,433	328,156	382,889	443,744	431,759	326,177	229,282	155,810	155,266
Instructional staff	714,203	582,375	470,670	444,596	884,626	475,453	465,600	403,903	376,610	383,309
Administration	1,759,497	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
Operation and maintenance of plant	1,577,520	1,446,429	1,404,622	1,421,340	1,212,276	1,227,890	889,921	823,255	828,007	837,633
Transportation	651,237	637,012	623,796	551,703	639,385	668,288	701,188	576,238	560,077	485,482
Non-instructional programs:										
Food service operations	-	16,670	3,145	1,120	368	1,000	1,277	-	11,327	11,258
Community service operations	-	-	-	-	-	50	33	-	41	692
Capital outlay	5,961,202	863,035	218,125	235,173	754,601	10,205,067	16,526,076	6,294,207	1,442,205	451,456
Long term debt:										
Principal	2,060,000	2,145,000	1,725,000	1,685,000	1,685,000	6,870,000	825,000	2,405,000	920,000	890,000
Interest and fiscal charges	1,052,190	776,175	819,586	826,077	907,978	1,010,286	847,170	615,876	403,756	435,329
Other expenditures:										
AEA flow-through	640,009	602,792	570,309	540,175	526,962	493,400	460,602	426,301	445,562	432,541
Total	\$ 27,207,845	20,806,419	19,573,160	18,503,572	18,676,390	33,267,762	32,111,796	22,312,436	15,073,789	13,501,550

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
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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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2020.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-19 that we consider to be a material weakness.

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, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

March 27, 2020
Newton, Iowa

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULED OF FINDINGS
YEAR ENDED JUNE 30, 2019

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-19 Segregation of Duties

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

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

- 1) Cash - 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, 2019

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-19 Certified Budget - Expenditures for the year ended June 30, 2019 did not exceed certified budgeted amounts.
- II-B-19 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-19 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-19 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	\$14,455
Nancy Nelson, Para Spouse owns Central State Roofing	Purchased services	\$76,318
Bruce Betts, Transportation Director Son Tyler Betts	Purchased services	\$128
Amy Griffin, Principal Spouse is Athletic Official	Official	\$525
John Nelson, Board Member Self, Transportation Services	Transportation Services	\$454

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.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member do not appear to represent a conflict of interest, as the amount paid is under the \$2,500 threshold.

- II-E-19 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-19 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-19 Certified Enrollment - We noted a variance in the basic enrollment certified to the Iowa Department of Education. Certified enrollment was overstated by 0.22 a students for the fall 2018 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 the Iowa Department of Management on behalf of the District to resolve this matter.

Conclusion - Response Accepted.

- II-H-19 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-19 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-19 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in amounts reports.
- II-K-19 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-19 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 2,279,403
Revenues/transfer in:		
Sales tax revenues	\$ 1,524,793	<u>1,524,793</u>
		3,804,196
Transfer to other funds:		
School infrastructure construction	\$ 69,856	
Debt service fund	<u>914,397</u>	<u>984,253</u>
Ending Balance		<u><u>\$ 2,819,943</u></u>

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

- II-M-19 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.