

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

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Mid-Prairie Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2017 Election)		
Jeremy Pickard	President	2019
Jeremy Statler	Vice President	2017
James Hussey	Board Member	2017
Marianne Schlabach	Board Member	2019
Gabrielle Frederick	Board Member	2017
George Schaefer	Board Member	2019
Jodi Meader	Board Member	2017
(After September 2017 Election)		
Jeremy Pickard	President	2019
George Schaefer	Vice President	2019
James Hussey	Board Member	2021
Marianne Schlabach	Board Member	2019
Gabrielle Frederick	Board Member	2021
Jodi Meader	Board Member	2021
Denise Chittick	Board Member	2019
School Officials		
Mark Schneider	Superintendent	2018
Jeffrey Swartzentruber	District Secretary/Business Manager	2018
Joseph Holland	Attorney	2018
Ahlers & Cooney, PC	Attorney	2018

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Mid-Prairie 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 Mid-Prairie Community School District, Wellman, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 managements, 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 Mid-Prairie Community School District as of June 30, 2018, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of a Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Mid-Prairie 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 six years ended June 30, 2017 (which are not presented herein) and express unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed an unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 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 applies 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 January 21, 2019 on our consideration of Mid-Prairie Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mid-Prairie Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2019
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mid-Prairie Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$2,291,752 and \$65,377, respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$15,926,760 in fiscal 2017 to \$16,642,666 in fiscal year 2018, while General Fund expenditures increased from \$15,184,410 in fiscal year 2017 to \$16,219,268 in fiscal year 2018. The District's General Fund balance increased from \$3,227,671 at June 30, 2017 to a balance of \$3,651,069 at June 30, 2018, a 13.12% increase from the prior year.
- The District's total net position increased from \$6,889,901, restated as of July 1, 2017 to \$7,962,879 at June 30, 2018. Total revenues increased 3.55% from \$20,441,227 in fiscal year 2017 to \$21,167,234 in fiscal year 2018, while total expenses increased 7.92% from \$18,620,084 in fiscal year 2017 to \$20,094,256 in fiscal year 2018.
- The increase in General Fund revenues was attributable to increases in local and state sources received in fiscal year 2018. The increase in expenditures was contributed to by an increase in negotiated salaries and benefits paid to District employees.

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mid-Prairie 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 Mid-Prairie Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

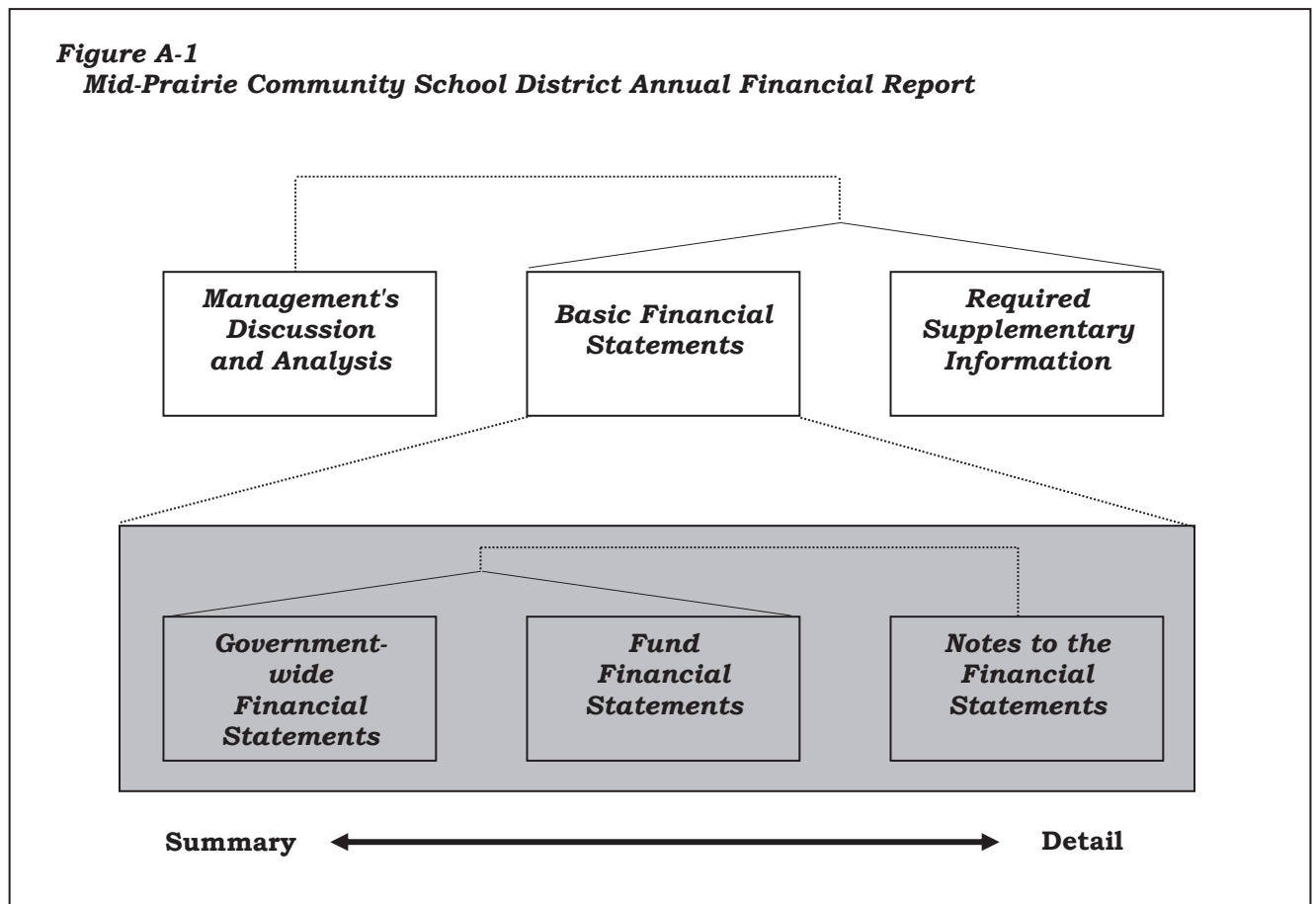


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 two Enterprise Funds, the School Nutrition Fund and Alumni and Friends programs.

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

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

- Agency Fund - These are funds through which the District administers and accounts for certain grants as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)	
Current and other assets	\$ 16,735,557	15,293,760	95,357	38,741	16,830,914	15,332,501	9.77%
Capital assets	22,093,804	22,312,366	55,503	65,977	22,149,307	22,378,343	-1.02%
Total assets	38,829,361	37,606,126	150,860	104,718	38,980,221	37,710,844	3.37%
Deferred outflows of resources	2,473,951	2,251,162	50,358	50,454	2,524,309	2,301,616	9.68%
Long-term liabilities	23,590,605	21,570,157	249,897	186,159	23,840,502	21,756,316	9.58%
Other liabilities	2,966,292	2,496,512	49,961	47,547	3,016,253	2,544,059	18.56%
Total liabilities	26,556,897	24,066,669	299,858	233,706	26,856,755	24,300,375	10.52%
Deferred inflows of resources	6,677,832	6,460,168	7,064	4,887	6,684,896	6,465,055	3.40%
Net position:							
Net investment in capital assets	9,858,804	9,052,366	55,503	65,977	9,914,307	9,118,343	8.73%
Restricted	2,692,136	2,450,809	-	-	2,692,136	2,450,809	9.85%
Unrestricted	(4,482,357)	(2,172,724)	(161,207)	(149,398)	(4,643,564)	(2,322,122)	-99.97%
Total net position	\$ 8,068,583	9,330,451	(105,704)	(83,421)	7,962,879	9,247,030	-13.89%

Prior to restatement, the District's total net position decreased 13.89%, or \$1,284,151, from the prior year. The largest portion of the District's net position is invested in capital assets, 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 \$241,327 or 9.85%, from the prior year. The increase occurred primarily in the amounts restricted for physical plant and equipment and management levy purposes.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$2,321,442, or 99.97%. This decrease in unrestricted net position was primarily a result of the increase in the District's total OPEB liability.

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

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2017 (Not Restated)		2017 (Not Restated)		2017 (Not Restated)		2017-18
	2018		2018		2018		
Revenues:							
Program revenues:							
Charges for service	\$ 2,839,599	2,558,953	422,235	413,320	3,261,834	2,972,273	9.74%
Operating grants, contributions and restricted interest	1,669,200	1,735,896	268,156	302,074	1,937,356	2,037,970	-4.94%
Capital grants, contributions and restricted interest	-	100,000	-	-	-	100,000	-100.00%
General revenues:							
Property tax	6,251,714	6,045,663	-	-	6,251,714	6,045,663	3.41%
Income surtax	1,201,778	1,105,209	-	-	1,201,778	1,105,209	8.74%
Statewide sales, services and use tax	1,171,059	1,159,847	-	-	1,171,059	1,159,847	0.97%
Unrestricted state grants	7,201,872	6,793,226	-	-	7,201,872	6,793,226	6.02%
Unrestricted investment earnings	31,284	17,076	552	466	31,836	17,542	81.48%
Other	103,308	201,881	6,477	7,616	109,785	209,497	-47.60%
Total revenues	20,469,814	19,717,751	697,420	723,476	21,167,234	20,441,227	3.55%
Program expenses:							
Instruction	11,930,167	11,007,106	-	-	11,930,167	11,007,106	8.39%
Support services	5,827,792	5,298,894	169	136	5,827,961	5,299,030	9.98%
Non-instructional programs	-	-	650,357	665,072	650,357	665,072	-2.21%
Other expenses	1,685,771	1,648,876	-	-	1,685,771	1,648,876	2.24%
Total expenses	19,443,730	17,954,876	650,526	665,208	20,094,256	18,620,084	7.92%
Excess of revenues over expenses	1,026,084	1,762,875	46,894	58,268	1,072,978	1,821,143	-41.08%
Transfers	3,800	7,236	(3,800)	(7,236)	-	-	0.00%
Change in net position	1,029,884	1,770,111	43,094	51,032	1,072,978	1,821,143	-41.08%
Net position beginning of year, as restated	7,038,699	7,560,340	(148,798)	(134,453)	6,889,901	7,425,887	-7.22%
Net position end of year	\$ 8,068,583	9,330,451	(105,704)	(83,421)	7,962,879	9,247,030	-13.89%

In fiscal year 2018, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 77.49% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 98.99% of the revenue from business type activities.

The District's total revenues were approximately \$21.17 million, of which approximately \$20.47 million was for governmental activities and approximately \$0.70 million was for business type activities. As shown in Figure A-4, the District as a whole experienced an 3.55% increase in revenues and an 7.92% increase in expenses. Property tax increased \$206,051 and unrestricted state grants increased \$408,646 to fund the increase in expenses. The increase in expenses occurred primarily in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$20,469,814 and expenses were \$19,443,730 for the year ended June 30, 2018.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2018	2017 (Not Restated)	Change 2017-18	2018	2017 (Not Restated)	Change 2017-18
Instruction	\$ 11,930,167	11,007,106	8.39%	8,110,769	7,300,088	11.11%
Support services	5,827,792	5,298,894	9.98%	5,688,777	5,166,755	10.10%
Other expenses	1,685,771	1,648,876	2.24%	1,135,385	1,143,184	-0.68%
Totals	\$ 19,443,730	17,954,876	8.29%	14,934,931	13,610,027	9.73%

- The cost financed by users of the District's programs was \$2,839,599.
- Federal and state governments along with local sources subsidized certain programs or projects with grants and contributions totaling \$1,669,200.
- The net cost of governmental activities was financed with \$6,251,714 in property tax, \$1,201,778 in income surtax, \$1,171,059 in statewide sales, services and use tax, \$7,201,872 in unrestricted state grants, \$31,284 in interest income and \$103,308 in other general revenues.

Business Type Activities

Revenues of the District's business type activity were \$697,420 and expenses were \$650,526. The District's business type activities are the School Nutrition Fund and the Alumni and Friends Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mid-Prairie 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 \$6,360,169, above last year's ending fund balances of \$5,560,413. The primary reasons for the increase are the increase in fund balances in the General and Management Levy Funds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Fund balance increased from \$3,227,671 at June 30, 2017 to \$3,651,069 at June 30, 2018. General Fund revenues increased due to an increase in state sources received which contributed to the District's General Fund balance increase.
- The Capital Projects Fund balance increased from \$1,696,939 at June 30, 2017 to \$1,729,160 at June 30, 2018. Revenues did not vary significantly from the prior year. Total revenues were greater than total expenditures for the year ensuring an increase in fund balance.

-
- The Debt Fund balance increased from \$39,171 at June 30, 2017 to \$51,038 at June 30, 2018. Revenues did not vary significantly from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$148,798 restated at July 1, 2017 to deficit \$108,030 at June 30, 2018. This represents an increase of 27.40%.

The Alumni and Friends Fund began operations in fiscal year 2018 and ended with a net position of \$2,326 at June 30, 2018.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mid Prairie Community School District amended its budget one time to reflect additional expenditures incurred for special education than originally budgeted.

The District's revenues were \$544,399 more than budgeted revenues, a variance of 2.65%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested \$22,149,307 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a decrease of 1.02% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,042,417.

The original cost of the District's capital assets was \$35,720,433. Governmental funds accounted for \$35,574,682 with the remainder of \$145,741 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2017 as compared to \$46,115 at June 30, 2018. This increase is due to the District beginning construction on a middle school kitchen project.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-18
Land	\$ 406,309	371,820	-	-	406,309	371,820	9.28%
Construction in progress	46,115	-	-	-	46,115	-	100.00%
Buildings	20,177,676	20,551,805	-	-	20,177,676	20,551,805	-1.82%
Land improvements	452,418	452,467	-	-	452,418	452,467	-0.01%
Machinery and equipment	1,011,286	936,274	55,503	65,977	1,066,789	1,002,251	6.44%
Total	\$ 22,093,804	22,312,366	55,503	65,977	22,149,307	22,378,343	-1.02%

Long-Term Debt

At June 30, 2018, the District had \$12,235,000 in general obligation bonds and revenue bonds outstanding. (See Figure A-7) More detailed information about the District's long-term debt is available in Note 6 to the financial statements.

- The District had total outstanding general obligation bonds of \$8,365,000 at June 30, 2018.
- The District had total outstanding revenue bonds of \$3,870,000 at June 30, 2018.

	Total		Total
	District		Change
	June 30,		June 30,
	2018	2017	2017-18
General obligation bonds	\$ 8,365,000	9,105,000	-8.13%
Revenue bonds	3,870,000	4,155,000	-6.86%
Total	\$ 12,235,000	13,260,000	-7.73%

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 affect its financial health in the future:

- Beginning in Fiscal Year 2019, the District will share the Human Resources Director with Clear Creek Amana Community School District as on-going relationship. New relationships with Clear Creek Amana include sharing the Social Work Coordinator, while Clear Creek Amana will in turn share the Curriculum Director. Clear Creek Amana will continue to share the Buildings and Grounds Director. Beginning in Fiscal Year 2019, the District will no longer share the Transportation Director with Highland and Lone Tree Community School Districts. These relationship changes will continue to bring comparable Operational Share Incentive Revenue to the District from prior fiscal years.
- The District experienced a decrease in resident students in Fiscal Year 2017 after an increase the resident students the previous two years. Fiscal Year 2018 Certified Enrollment for the second consecutive year after the 3 previous years showed increases.

Fiscal Year 2019 Certified Enrollment has increased back to a record number of students at 1,258.9. Future enrollment is unknown as enrollment trends are hard to predict.

- Open enrollment continues to increase and provide the District with increased revenues and spending authority.
- Continued low interest rates have benefited the District as it issued the final portion of the General Obligation Bonds in Fiscal Year 2017. Future bond issues may be impacted differently as the interest rate environment appears to be push interest rates higher.
- The State of Iowa is not setting supplemental state aid as prescribed by Iowa Code, this makes it challenging for the District to create an accurate budget.
- Continuing low interest rates have continued to benefit the district as it issued the final portion of the General Obligation Bonds in Fiscal Year 2017.

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 Jeffrey Swartzentruber, District Secretary/Business Manager, Mid-Prairie Community School District, 1636 Hwy 22 East, Wellman, IA 52356.

BASIC FINANCIAL STATEMENTS

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,668,461	119,187	8,787,648
Receivables:			
Property tax:			
Delinquent	21,459	-	21,459
Succeeding year	6,355,695	-	6,355,695
Income surtax	1,073,737	-	1,073,737
Accounts	36,157	-	36,157
Internal balances	28,800	(28,800)	-
Due from other governments	551,248	-	551,248
Inventories	-	4,970	4,970
Capital assets not being depreciated:			
Land	406,309	-	406,309
Construction in progress	46,115	-	46,115
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	21,641,380	55,503	21,696,883
TOTAL ASSETS	38,829,361	150,860	38,980,221
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,473,951	50,358	2,524,309
LIABILITIES			
Accounts payable	1,013,121	17	1,013,138
Salaries and benefits payable	1,932,835	35,915	1,968,750
Accrued interest payable	20,336	-	20,336
Unearned revenue	-	14,029	14,029
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	750,000	-	750,000
Revenue bonds payable	295,000	-	295,000
Termination benefits payable	205,640	-	205,640
Compensated absences payable	22,238	-	22,238
Portion due after one year:			
General obligation bonds payable	7,615,000	-	7,615,000
Revenue bonds payable	3,575,000	-	3,575,000
Net pension liability	8,182,780	164,440	8,347,220
Total OPEB liability	2,944,947	85,457	3,030,404
TOTAL LIABILITIES	26,556,897	299,858	26,856,755
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	256,024	5,146	261,170
OPEB related deferred inflows	66,113	1,918	68,031
Unavailable property tax revenue	6,355,695	-	6,355,695
TOTAL DEFERRED INFLOWS OF RESOURCES	6,677,832	7,064	6,684,896
NET POSITION			
Net investment in capital assets	9,858,804	55,503	9,914,307
Restricted for:			
Categorical funding	209,012	-	209,012
Debt service	472,702	-	472,702
School infrastructure	956,576	-	956,576
Physical plant and equipment	330,584	-	330,584
Management levy purposes	527,627	-	527,627
Student activities	195,635	-	195,635
Unrestricted	(4,482,357)	(161,207)	(4,643,564)
TOTAL NET POSITION	\$ 8,068,583	(105,704)	7,962,879

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	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	\$ 7,037,112	1,912,955	178,460	(4,945,697)	-	(4,945,697)
Special	2,132,978	438,111	292,030	(1,402,837)	-	(1,402,837)
Other	2,760,077	357,577	640,265	(1,762,235)	-	(1,762,235)
	<u>11,930,167</u>	<u>2,708,643</u>	<u>1,110,755</u>	<u>(8,110,769)</u>	<u>-</u>	<u>(8,110,769)</u>
Support services:						
Student	395,250	5,330	-	(389,920)	-	(389,920)
Instructional staff	867,111	31,559	-	(835,552)	-	(835,552)
Administration	2,140,024	62,466	-	(2,077,558)	-	(2,077,558)
Operation and maintenance of plant	1,418,135	-	-	(1,418,135)	-	(1,418,135)
Transportation	1,007,272	31,601	8,059	(967,612)	-	(967,612)
	<u>5,827,792</u>	<u>130,956</u>	<u>8,059</u>	<u>(5,688,777)</u>	<u>-</u>	<u>(5,688,777)</u>
Long-term debt interest	406,212	-	-	(406,212)	-	(406,212)
Other expenditures:						
AEA flowthrough	550,386	-	550,386	-	-	-
Depreciation (unallocated)*	729,173	-	-	(729,173)	-	(729,173)
	<u>1,279,559</u>	<u>-</u>	<u>550,386</u>	<u>(729,173)</u>	<u>-</u>	<u>(729,173)</u>
Total governmental activities	<u>19,443,730</u>	<u>2,839,599</u>	<u>1,669,200</u>	<u>(14,934,931)</u>	<u>-</u>	<u>(14,934,931)</u>
Business type activities:						
Support services:						
Instructional staff	166	-	-	-	(166)	(166)
Administration	3	-	-	-	(3)	(3)
	<u>169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169)</u>	<u>(169)</u>
Non-instructional programs:						
Food service operations	650,291	420,375	268,156	-	38,240	38,240
Community service operations	66	1,860	-	-	1,794	1,794
	<u>650,357</u>	<u>422,235</u>	<u>268,156</u>	<u>-</u>	<u>40,034</u>	<u>40,034</u>
Total business type activities	<u>650,526</u>	<u>422,235</u>	<u>268,156</u>	<u>-</u>	<u>39,865</u>	<u>39,865</u>
Total	<u>\$ 20,094,256</u>	<u>3,261,834</u>	<u>1,937,356</u>	<u>(14,934,931)</u>	<u>39,865</u>	<u>(14,895,066)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 5,002,580	-	5,002,580
Debt service				999,733	-	999,733
Capital outlay				249,401	-	249,401
Income surtax				1,201,778	-	1,201,778
Statewide sales, services and use tax				1,171,059	-	1,171,059
Unrestricted state grants				7,201,872	-	7,201,872
Unrestricted investment earnings				31,284	552	31,836
Other				103,308	6,477	109,785
Transfers				3,800	(3,800)	-
				<u>15,964,815</u>	<u>3,229</u>	<u>15,968,044</u>
Total general revenues and transfers				<u>15,964,815</u>	<u>3,229</u>	<u>15,968,044</u>
Change in net position				1,029,884	43,094	1,072,978
Net position beginning of year, as restated				7,038,699	(148,798)	6,889,901
Net position end of year				<u>\$ 8,068,583</u>	<u>(105,704)</u>	<u>7,962,879</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 5,571,799	1,749,590	406,275	940,797	8,668,461
Receivables:					
Property tax					
Delinquent	15,332	841	3,371	1,915	21,459
Succeeding year	4,149,105	251,063	1,300,529	654,998	6,355,695
Income surtax	613,564	460,173	-	-	1,073,737
Accounts	28,619	-	-	7,538	36,157
Due from other funds	3,800	25,000	-	-	28,800
Due from other governments	451,951	99,297	-	-	551,248
TOTAL ASSETS	\$ 10,834,170	2,585,964	1,710,175	1,605,248	16,735,557
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 492,983	145,568	358,608	15,962	1,013,121
Salaries and benefits payable	1,927,449	-	-	5,386	1,932,835
Total liabilities	2,420,432	145,568	358,608	21,348	2,945,956
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,149,105	251,063	1,300,529	654,998	6,355,695
Income surtax	613,564	460,173	-	-	1,073,737
Total deferred inflows of resources	4,762,669	711,236	1,300,529	654,998	7,429,432
Fund balances:					
Restricted for:					
Categorical funding	209,012	-	-	-	209,012
Debt service	-	442,000	51,038	-	493,038
School infrastructure	-	956,576	-	-	956,576
Physical plant and equipment	-	330,584	-	-	330,584
Management levy purposes	-	-	-	733,267	733,267
Student activities	-	-	-	195,635	195,635
Unassigned	3,442,057	-	-	-	3,442,057
Total fund balances	3,651,069	1,729,160	51,038	928,902	6,360,169
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,834,170	2,585,964	1,710,175	1,605,248	16,735,557

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	6,360,169
 <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.		22,093,804
Accounts receivable income surtax is not yet available to finance expenditures of the current year and, therefore, is recognized as a deferred inflow of resources in the governmental funds.		1,073,737
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(20,336)
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	\$ 2,473,951	
Deferred inflows of resources	<u>(322,137)</u>	2,151,814
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, compensated absences payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(23,590,605)</u>
Net position of governmental activities (page 18)	\$	<u><u>8,068,583</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,096,175	738,945	999,733	555,336	7,390,189
Tuition	2,228,469	-	-	-	2,228,469
Other	578,674	9,056	-	271,490	859,220
State sources	8,054,812	1,173,871	12,264	6,950	9,247,897
Federal sources	680,736	-	-	-	680,736
TOTAL REVENUES	16,638,866	1,921,872	1,011,997	833,776	20,406,511
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,464,007	391,002	-	52,570	6,907,579
Special	2,170,994	-	-	-	2,170,994
Other	2,068,519	-	-	234,881	2,303,400
	10,703,520	391,002	-	287,451	11,381,973
Support services:					
Student	350,838	-	-	467	351,305
Instructional staff	628,492	89,647	-	-	718,139
Administration	2,027,284	-	-	-	2,027,284
Operation and maintenance of plant	1,194,306	3,000	-	186,670	1,383,976
Transportation	756,109	287,956	-	35,251	1,079,316
	4,957,029	380,603	-	222,388	5,560,020
Capital outlay	-	685,831	-	-	685,831
Long-term debt:					
Principal	-	-	1,025,000	-	1,025,000
Interest and fiscal charges	-	-	407,345	-	407,345
	-	-	1,432,345	-	1,432,345
Other expenditures:					
AEA flowthrough	550,386	-	-	-	550,386
TOTAL EXPENDITURES	16,210,935	1,457,436	1,432,345	509,839	19,610,555
Excess (Deficiency) of revenues over (under) expenditures	427,931	464,436	(420,348)	323,937	795,956
Other financing sources (uses):					
Transfer in	3,800	-	432,215	8,333	444,348
Transfer out	(8,333)	(432,215)	-	-	(440,548)
Total other financing sources (uses)	(4,533)	(432,215)	432,215	8,333	3,800
Change in fund balances	423,398	32,221	11,867	332,270	799,756
Fund balances beginning of year	3,227,671	1,696,939	39,171	596,632	5,560,413
Fund balances end of year	\$ 3,651,069	1,729,160	51,038	928,902	6,360,169

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ 799,756

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

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

Capital outlay	\$ 815,809	
Depreciation expense	(1,031,943)	
Loss on asset disposal	(2,428)	(218,562)

Repayment of long-term liabilities is an expenditure the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,025,000

Income surtax account receivable is not considered available revenue and is recognized as a deferred inflow of resources in the governmental funds. 63,303

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. 1,133

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 879,178

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

Termination benefits	(205,640)	
Compensated absences	1,491	
Pension expense	(1,154,960)	
Total OPEB liability and related expenses	(160,815)	(1,519,924)

Change in net position of governmental activities (page 19) \$ 1,029,884

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise, School Nutrition	Enterprise, Alumni & Friends	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 116,861	2,326	119,187
Inventories	4,970	-	4,970
Total current assets	121,831	2,326	124,157
Noncurrent assets:			
Capital assets, net of accumulated depreciation	55,503	-	55,503
TOTAL ASSETS	177,334	2,326	179,660
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	50,358	-	50,358
LIABILITIES			
Current liabilities:			
Due to other funds	28,800	-	28,800
Accounts payable	17	-	17
Salaries and benefits payable	35,915	-	35,915
Unearned revenue	14,029	-	14,029
Total current liabilities	78,761	-	78,761
Noncurrent liabilities:			
Total OPEB liability	85,457	-	85,457
Net pension liability	164,440	-	164,440
Total noncurrent liabilities	249,897	-	249,897
TOTAL LIABILITIES	328,658	-	328,658
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	5,146	-	5,146
Pension related deferred inflows	1,918	-	1,918
TOTAL DEFERRED INFLOWS OF RESOURCES	7,064	-	7,064
NET POSITION			
Invested in capital assets	55,503	-	55,503
Unrestricted	(163,533)	2,326	(161,207)
TOTAL NET POSITION	\$ (108,030)	2,326	(105,704)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition	Enterprise, Alumni & Friends	Total
OPERATING REVENUES:			
Local sources:			
Charges for service	\$ 420,375	1,860	422,235
Miscellaneous	5,945	532	6,477
TOTAL OPERATING REVENUES	426,320	2,392	428,712
OPERATING EXPENSES:			
Current:			
Support services:			
Instructional staff:			
Services	166	-	166
Administration:			
Other	3	-	3
	<u>169</u>	<u>-</u>	<u>169</u>
Non-instructional programs:			
Community service operations:		66	66
Food service operations:			
Salaries	205,977	-	205,977
Benefits	71,217	-	71,217
Supplies	362,513	-	362,513
Depreciation	10,474	-	10,474
Other	110	-	110
Total non-instructional	<u>650,291</u>	<u>-</u>	<u>650,291</u>
TOTAL OPERATING EXPENSES	650,460	66	650,526
OPERATING INCOME (LOSS)	(224,140)	2,326	(221,814)
NON-OPERATING REVENUES:			
State sources	4,473	-	4,473
Federal sources	263,683	-	263,683
Interest income	552	-	552
TOTAL NON-OPERATING REVENUES	268,708	-	268,708
Excess revenues over expenses	44,568	2,326	46,894
Other financing uses:			
Transfer out	(3,800)	-	(3,800)
Change in net position	40,768	2,326	43,094
Net position beginning of year, as restated	(148,798)	-	(148,798)
Net position end of year	<u>\$ (108,030)</u>	<u>2,326</u>	<u>(105,704)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise, School Nutrition	Enterprise, Alumni & Friends	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 421,463	-	421,463
Cash received from alumni and friends activities	-	1,860	1,860
Cash received from miscellaneous operating activities	5,945	532	6,477
Cash payments to employees for services	(275,192)	-	(275,192)
Cash payments to suppliers for goods or services	(299,174)	(66)	(299,240)
Net cash provided by (used in) operating activities	<u>(146,958)</u>	<u>2,326</u>	<u>(144,632)</u>
Cash flows from non-capital financing activities:			
Transfer to the General Fund	(3,800)	-	(3,800)
Repayments to other funds	(19,870)	-	(19,870)
State grants received	4,473	-	4,473
Federal grants received	207,521	-	207,521
Net cash provided by non-capital financing activities	<u>188,324</u>	<u>-</u>	<u>188,324</u>
Cash flows from investing activities:			
Interest on investments	552	-	552
Net increase in cash and pooled investments	41,918	2,326	44,244
Cash and pooled investments at beginning of year	<u>74,943</u>	<u>-</u>	<u>74,943</u>
Cash and pooled investments at end of year	<u>\$ 116,861</u>	<u>2,326</u>	<u>119,187</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (224,140)	2,326	(221,814)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities consumed	56,162	-	56,162
Depreciation	10,474	-	10,474
Decrease in inventories	7,498	-	7,498
Decrease in accounts payable	(42)	-	(42)
Increase in salaries and benefits payable	1,368	-	1,368
Increase in unearned revenue	1,088	-	1,088
Decrease in net pension liability	(4,387)	-	(4,387)
Decrease in deferred outflows of resources	96	-	96
Increase in deferred inflows of resources	2,177	-	2,177
Increase in OPEB liability	2,748	-	2,748
Net cash provided by (used in) operating activities	<u>\$ (146,958)</u>	<u>2,326</u>	<u>(144,632)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2018, the District received Federal commodities valued at \$56,162.

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Agency</u>
ASSETS	
Due from other governments	<u>\$ 43,500</u>
LIABILITIES	
Due to other groups	<u>\$ 43,500</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(1) Summary of Significant Accounting Policies

Mid-Prairie Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Wellman, Kalona, and West Chester, Iowa, and the agricultural territory in Washington, Johnson, and Iowa Counties. The District is governed by a Board of Education whose members are elected at large, 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, Mid-Prairie Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Mid-Prairie 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 Washington, Johnson and Iowa 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's 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 the following categories:

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

The 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 also reports the following nonmajor proprietary funds:

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

The District's Enterprise, Alumni & Friends Fund is used to account for the dues and donations to defray costs for alumni newsletters and contact list for the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to

accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's 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 nonoperating revenues and expenses.

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

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

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and 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	\$ -
Buildings	2,500
Land improvements	2,500
Intangible assets	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	10 years
Intangibles	2 or more years
Machinery and equipment	4-12 years

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows 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.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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.

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. During the year ended June 30, 2018, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

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

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

At June 30, 2018, the District had no such investments.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Capital Projects:		
Statewide Sales, Services and Use Tax	Enterprise: School Nutrition	\$ 25,000
General	Enterprise: School Nutrition	3,800
Total		<u>\$ 28,800</u>

The Enterprise: School Nutrition Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for money borrowed to pay salaries and benefits in prior years.

The Enterprise: School Nutrition Fund is repaying the General Fund for indirect costs.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 432,215
Student Activity	General	8,333
General Fund	Enterprise: School Nutrition	3,800
Total		<u>\$ 444,348</u>

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

The transfer from the General Fund to the Student Activity Fund was needed for reimbursement of safety equipment.

The transfer from the Enterprise: School Nutrition Fund to the General Fund was needed for indirect costs.

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 185,721	-	39,970	145,751
Less accumulated depreciation	119,744	10,474	39,970	90,248
Business type activities capital assets, net	<u>\$ 65,977</u>	<u>(10,474)</u>	<u>-</u>	<u>55,503</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 371,820	34,489	-	406,309
Construction in progress	-	46,115	-	46,115
Total capital assets not being depreciated	<u>371,820</u>	<u>80,604</u>	<u>-</u>	<u>452,424</u>
Capital assets being depreciated:				
Buildings	30,374,086	300,184	-	30,674,270
Land improvements	1,037,564	54,811	-	1,092,375
Machinery and equipment	3,252,103	380,210	276,700	3,355,613
Total capital assets being depreciated	<u>34,663,753</u>	<u>735,205</u>	<u>276,700</u>	<u>35,122,258</u>
Less accumulated depreciation for:				
Buildings	9,822,281	674,313	-	10,496,594
Land improvements	585,097	54,860	-	639,957
Machinery and equipment	2,315,829	302,770	274,272	2,344,327
Total accumulated depreciation	<u>12,723,207</u>	<u>1,031,943</u>	<u>274,272</u>	<u>13,480,878</u>
Total capital assets being depreciated, net	<u>21,940,546</u>	<u>(296,738)</u>	<u>2,428</u>	<u>21,641,380</u>
Governmental activities capital assets, net	<u>\$ 22,312,366</u>	<u>(216,134)</u>	<u>2,428</u>	<u>22,093,804</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 50,423
Support services:				
Instructional staff				23,393
Administration				19,643
Operation and maintenance of plant				16,588
Transportation				<u>192,723</u>
Unallocated depreciation				<u>302,770</u>
Total governmental activities depreciation expense				<u>\$ 1,031,943</u>
Business type activities:				
Food service operations				<u>\$ 10,474</u>

(6) Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning			End of	Within
	of Year,	Additions	Deletions	Year	One Year
	as restated				
Governmental activities:					
General obligation bonds	\$ 9,105,000	-	740,000	8,365,000	750,000
Revenue bonds	4,155,000	-	285,000	3,870,000	295,000
Termination benefits	-	205,640	-	205,640	205,640
Compensated absences	23,729	22,238	23,729	22,238	22,238
Net pension liability	7,727,935	454,845	-	8,182,780	-
Total OPEB liability	2,850,245	94,702	-	2,944,947	-
Total	\$ 23,861,909	777,425	1,048,729	23,590,605	1,272,878
Business type activities:					
Net pension liability	\$ 168,827	-	4,387	164,440	-
Total OPEB liability	82,709	2,748	-	85,457	-
Total	\$ 251,536	2,748	4,387	249,897	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of August 1, 2014			Bond Issue of May 1, 2015			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.00 % \$	590,000	241,550	1.55 % \$	160,000	2,480	750,000	244,030	994,030
2020	2.00	605,000	229,750	-	-	-	605,000	229,750	834,750
2021	2.00	615,000	217,650	-	-	-	615,000	217,650	832,650
2022	3.00	630,000	205,350	-	-	-	630,000	205,350	835,350
2023	3.00	645,000	186,450	-	-	-	645,000	186,450	831,450
2024-2028	3.00-3.50	3,535,000	628,025	-	-	-	3,535,000	628,025	4,163,025
2029-2030	3.50	1,585,000	83,650	-	-	-	1,585,000	83,650	1,668,650
Total		\$ 8,205,000	1,792,425		160,000	2,480	8,365,000	1,794,905	10,159,905

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of December 1, 2010			
	Interest Rates	Principal	Interest	Total
2019	2.90 % \$	295,000	139,805	434,805
2020	3.10	305,000	131,250	436,250
2021	3.30	310,000	121,795	431,795
2022	3.40	325,000	111,565	436,565
2023	3.50	335,000	100,515	435,515
2024-2028	3.60-4.00	1,875,000	310,210	2,185,210
2029	4.00	425,000	17,000	442,000
Total		\$ 3,870,000	932,140	4,802,140

The District has pledged future statewide sales, service and use tax revenues to repay the \$5,545,000 bond issued December 2010. The bonds were issued for the purpose of financing a portion of the costs of various improvements to the high school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 37% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,802,140. For the current year, the District paid principal of \$285,000 and interest of \$147,215 on the bonds and total statewide sales, services and use tax revenues were \$1,171,059.

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

- a) \$442,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales, service and use tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Termination Benefits

During fiscal year 2018, the District offered a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least 20 years of total experience to the District and must have reached age 60 on or before June 30, 2018. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal \$220 per sick day for each sick day retirees had remaining at June 30, 2018. This will be paid in full in the year following retirement. At June 30, 2018 the District had obligations to eleven participants with a total liability of \$205,640.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must

be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2018 were \$897,487.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$8,347,220 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.125309%, which was a decrease of 0.000169% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,169,237. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,635	72,322
Changes of assumptions	1,450,362	-
Net difference between projected and actual earnings on IPERS' investments	-	87,184
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	99,825	101,664
District contributions subsequent to the measurement date	897,487	-
Total	\$ 2,524,309	261,170

\$897,487 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
June 30,	
2019	\$ 223,370
2020	652,259
2021	359,188
2022	32,612
2023	98,223
Total	\$ 1,365,652

There were no non-employer contributing entities at IPERS.

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

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

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

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

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:

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$ 13,752,870	\$ 8,347,220	\$ 3,805,435

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

Payables to IPERS - At June 30, 2018, the District reported payables to IPERS of \$125,425 for legally required District contributions and \$83,570 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>201</u>
Total	<u><u>216</u></u>

Total OPEB Liability - The District's total OPEB liability of \$3,030,404 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)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing variably to an ultimate rate of 4.50%.

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

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

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 2,932,954
Changes for the year:	
Service cost	209,789
Interest	118,586
Changes in assumptions	(73,952)
Benefit payments	<u>(156,973)</u>
Net changes	<u>97,450</u>
Total OPEB liability end of year	<u><u>\$ 3,030,404</u></u>

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

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be

if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 2,786,224	3,030,404	3,288,711

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 2,595,000	3,030,404	3,510,000

OPEB Expense and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$322,455. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Changes in assumptions	\$ (68,031)
Total	\$ (68,031)

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (5,921)
2020	(5,921)
2021	(5,921)
2022	(5,921)
2023	(5,921)
Therafter	(38,426)
Total	\$ (68,031)

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2018 were \$1,618,355.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$550,386 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction In Progress

The District entered into contracts totaling \$137,067 for the middle school remodel project and new equipment. At June 30, 2018, costs of \$46,115 had been incurred against the contract. The balance remaining will be paid out as the project is completed.

(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, 2018.

Project	Amount
Home school assistance program	\$ 59,818
Gifted and talented	48,019
Teacher salary supplement	1,325
Teacher leadership state aid	89,265
Textbook aid for nonpublic students	969
Professional development	1,649
Successful progression for early readers	7,967
Total categorical funding	<u>\$ 209,012</u>

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

The following is the detailed reconciliation of certain governmental funds balances to net position:

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	733,267	493,038	3,442,057
Capital assets, net of accumulated depreciation	22,093,804	-	-	-
General obligation bond capitalized indebtedness	(8,365,000)	-	-	-
Revenue bond capitalized indebtedness	(3,870,000)	-	-	-
Accrued interest payable	-	-	(20,336)	-
Income surtax	-	-	-	1,073,737
Compensated absences	-	-	-	(22,238)
Termination benefits	-	(205,640)	-	-
Net pension liability	-	-	-	(8,182,780)
Pension related deferred outflows of resources	-	-	-	2,473,951
Pension related deferred inflows of resources	-	-	-	(256,024)
OPEB related deferred inflows	-	-	-	(66,113)
Total OPEB liability	-	-	-	(2,944,947)
Net position (Exhibit A)	\$ 9,858,804	527,627	472,702	(4,482,357)

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2018, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(15) Tax Abatements

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

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Kalona	Urban renewal	\$ 68,417
City of Wellman	Urban renewal	2,241

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2018, this reimbursement amounted to \$34,353.

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local

government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities (which included only the Enterprise: School Nutrition Fund) was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2017, as previously reported	\$ 9,330,451	(83,421)
OPEB obligation measured under previous standards	558,493	17,332
Total OPEB liability at June 30, 2017	<u>(2,850,245)</u>	<u>(82,709)</u>
Net position July 1, 2017, as restated	<u>\$ 7,038,699</u>	<u>(148,798)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,477,878	429,264	10,907,142	11,526,524	11,526,524	(619,382)
State sources	9,247,897	4,473	9,252,370	8,128,008	8,128,008	1,124,362
Federal sources	680,736	263,683	944,419	905,000	905,000	39,419
Total revenues	20,406,511	697,420	21,103,931	20,559,532	20,559,532	544,399
Expenditures/Expenses:						
Instruction	11,381,973	-	11,381,973	11,450,000	11,450,000	68,027
Support services	5,560,020	169	5,560,189	5,848,000	6,475,880	915,691
Non-instructional programs	-	650,357	650,357	735,000	750,000	99,643
Other expenditures	2,668,562	-	2,668,562	2,021,048	2,216,139	(452,423)
Total expenditures/expenses	19,610,555	650,526	20,261,081	20,054,048	20,892,019	630,938
Excess (Deficiency) of revenues over (under) expenditures/expenses	795,956	46,894	842,850	505,484	(332,487)	1,175,337
Other financing sources, net	3,800	(3,800)	-	-	-	-
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	799,756	43,094	842,850	505,484	(332,487)	1,175,337
Balances beginning of year, as restated	5,560,413	(148,798)	5,411,615	4,708,233	4,708,233	(703,382)
Balances end of year	\$ 6,360,169	(105,704)	6,254,465	5,213,717	4,375,746	471,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund; the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$837,971.

During the year ended June 30, 2018, expenditures in the other expenditures function exceeded the amounts budgeted.

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

	2018	2017	2016	2015
District's proportion of the net pension liability	0.125309%	0.125479%	0.130221%	0.128599%
District's proportionate share of the net pension liability	\$ 8,347,220	7,896,762	6,433,526	5,100,096
District's covered payroll	\$ 9,353,771	9,004,809	8,912,625	8,413,998
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.69%	72.18%	60.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 897,487	835,292	804,129	795,897	751,370	697,813	619,459	524,717	506,480	472,835
Contributions in relation to the statutorily required contribution	(897,487)	(835,292)	(804,129)	(795,897)	(751,370)	(697,813)	(619,459)	(524,717)	(506,480)	(472,835)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 10,050,239	9,353,771	9,004,809	8,912,625	8,413,998	8,048,593	7,676,072	7,549,885	7,616,241	7,446,220
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

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

	2018
Service cost	\$ 209,789
Interest cost	118,586
Changes in assumptions	(73,952)
Benefit payments	(156,973)
Net change in total OPEB liability	97,450
Total OPEB liability beginning of year, as restated	2,932,954
Total OPEB liability end of year	\$ 3,030,404
Covered-employee payroll	\$ 9,414,000
Total OPEB liability as a percentage of covered-employee payroll	32.19%

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, 2018	3.87%
Year ended June 30, 2017	3.58%

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
ASSETS			
Cash and pooled investments	\$ 731,352	209,445	940,797
Receivables:			
Property tax:			
Delinquent	1,915	-	1,915
Succeeding year	654,998	-	654,998
Accounts	-	7,538	7,538
TOTAL ASSETS	\$ 1,388,265	216,983	1,605,248
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	15,962	15,962
Salaries and benefits payable	-	5,386	5,386
Total liabilities	-	21,348	21,348
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	654,998	-	654,998
Fund balances:			
Restricted for:			
Management levy purposes	733,267	-	733,267
Student activities	-	195,635	195,635
Total fund balances	733,267	195,635	928,902
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,388,265	216,983	1,605,248

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total Special Revenue
REVENUES:			
Local sources:			
Local tax	\$ 555,336	-	555,336
Other	21,381	250,109	271,490
State sources	6,950	-	6,950
TOTAL REVENUES	<u>583,667</u>	<u>250,109</u>	<u>833,776</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	52,570	-	52,570
Other	-	234,881	234,881
Support services:			
Student	467	-	467
Operation and maintenance of plant	186,670	-	186,670
Transportation	35,251	-	35,251
TOTAL EXPENDITURES	<u>274,958</u>	<u>234,881</u>	<u>509,839</u>
Excess of revenues over expenditures	308,709	15,228	323,937
Other financing sources:			
Transfer in	-	8,333	8,333
Change in fund balances	308,709	23,561	332,270
Fund balances beginning of year	<u>424,558</u>	<u>172,074</u>	<u>596,632</u>
Fund balances end of year	<u>\$ 733,267</u>	<u>195,635</u>	<u>928,902</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,362,091	387,499	1,749,590
Receivables:			
Property tax:			
Delinquent	-	841	841
Succeeding year	-	251,063	251,063
Income surtax	-	460,173	460,173
Due from other funds	25,000	-	25,000
Due from other governments	99,297	-	99,297
TOTAL ASSETS	\$ 1,486,388	1,099,576	2,585,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 87,812	57,756	145,568
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	251,063	251,063
Income surtax	-	460,173	460,173
Total deferred inflows of resources	-	711,236	711,236
Fund balances:			
Restricted for:			
Debt service	442,000	-	442,000
School infrastructure	956,576	-	956,576
Physical plant and equipment	-	330,584	330,584
Total fund balances	1,398,576	330,584	1,729,160
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,486,388	1,099,576	2,585,964

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	738,945	738,945
Other	6,001	3,055	9,056
State sources	1,171,059	2,812	1,173,871
TOTAL REVENUES	1,177,060	744,812	1,921,872
EXPENDITURES:			
Current:			
Instruction:			
Regular	216,935	174,067	391,002
Support services:			
Instructional staff	45,546	44,101	89,647
Operation and maintenance of plant	-	3,000	3,000
Transportation	36,325	251,631	287,956
Capital outlay	536,574	149,257	685,831
TOTAL EXPENDITURES	835,380	622,056	1,457,436
Excess of revenues over expenditures	341,680	122,756	464,436
Other financing uses:			
Transfer out	(432,215)	-	(432,215)
Change in fund balances	(90,535)	122,756	32,221
Fund balances beginning of year	1,489,111	207,828	1,696,939
Fund balances end of year	\$ 1,398,576	330,584	1,729,160

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Drama Workshop	\$ 2,478	8,803	7,828	-	3,453
Athletics (Donations)	7,691	30,000	25,868	-	11,823
Athletics	48,770	72,704	63,455	8,333	66,352
Annual	15,269	8,226	3,997	-	19,498
Soccer Fundraising	6,097	2,081	-	-	8,178
Class of 2018	176	2,263	2,439	-	-
Class of 2019	-	93	-	-	93
Renaissance	2,376	1,225	2,412	-	1,189
Post Prom	3,370	5,139	5,880	-	2,629
FFA	3,866	31,118	28,519	-	6,465
Film Club	200	-	-	-	200
Librarians Club	70	-	-	-	70
Baseball	1,043	10,660	6,511	-	5,192
Boys Basketball	10,098	1,212	11,282	-	28
Girls Basketball	7,941	2,539	4,581	-	5,899
Cheerleading	1,102	-	53	-	1,049
Football	9,640	17,202	21,028	-	5,814
Girls Golf	230	365	56	-	539
Boys Golf	1,760	2,055	3,296	-	519
Boys Soccer	5,771	6,733	1,978	-	10,526
Girls Soccer	2,991	4,586	3,791	-	3,786
Cross Country	1,005	1,386	1,401	-	990
Softball	2,833	4,873	4,434	-	3,272
Track	2,335	2,633	2,488	-	2,480
Volleyball	3,373	3,966	4,074	-	3,265
Wrestling	480	1,260	936	-	804
FCCLA	5,310	8,904	10,198	-	4,016
FCCLA (District 6 president)	1,689	4,490	3,881	-	2,298
High School Student Council	7,562	1,703	6,051	-	3,214
Wellness	1,656	-	-	-	1,656
Dance Team	14,892	13,890	8,444	-	20,338
Total	\$ 172,074	250,109	234,881	8,333	195,635

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Washington County Perkins Consortium</u>				
ASSETS				
Due from other governments	\$ 42,115	43,500	42,115	43,500
LIABILITIES				
Due to other groups	\$ 42,115	43,500	42,115	43,500

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 7,390,189	7,119,238	6,361,289	5,566,305	5,246,273	6,119,420	6,578,585	6,157,516	5,639,516	5,557,275
Tuition	2,228,469	2,117,122	1,602,052	1,500,645	1,451,238	1,376,781	1,418,826	1,305,059	1,160,192	933,397
Other	859,220	801,024	1,112,112	877,358	625,157	946,531	951,990	822,275	730,304	708,506
State sources	9,247,897	8,769,920	8,481,145	8,473,471	8,418,512	6,324,546	6,164,254	6,468,081	5,502,857	6,172,626
Federal sources	680,736	878,813	690,173	668,429	642,624	635,973	1,083,026	1,714,934	1,205,901	936,591
Total	\$ 20,406,511	19,686,117	18,246,771	17,086,208	16,383,804	15,403,251	16,196,681	16,467,865	14,238,770	14,308,395
Expenditures:										
Instruction:										
Regular	\$ 6,907,579	6,865,017	6,705,207	6,985,348	6,741,838	6,688,700	5,624,107	4,942,744	5,072,003	5,552,286
Special	2,170,994	1,956,236	1,685,583	1,834,457	1,722,126	1,683,398	1,625,087	1,609,597	1,502,352	1,488,236
Other	2,303,400	2,028,398	1,905,934	1,902,879	1,894,167	1,810,855	2,024,754	2,847,204	2,378,957	1,903,211
Support services:										
Student	351,305	402,736	338,292	360,165	260,080	202,776	194,901	174,402	176,092	206,367
Instructional staff	718,139	943,421	598,207	551,474	564,674	540,709	560,597	423,011	460,310	484,953
Administration	2,027,284	1,707,017	1,748,241	1,794,038	1,599,558	1,360,350	1,161,481	1,081,186	1,081,281	952,790
Operation and maintenance of plant	1,383,976	1,316,941	1,248,399	1,194,020	1,145,504	1,090,448	952,569	922,093	764,278	1,064,478
Transportation	1,079,316	883,123	927,968	1,031,390	675,978	836,170	709,609	537,870	749,436	653,787
Non-instructional programs	-	-	-	-	-	-	-	-	3,450	17,854
Capital outlay	685,831	4,281,284	6,249,609	2,806,546	706,657	558,908	3,465,414	3,353,819	1,374,745	524,834
Long-term debt:										
Principal	1,025,000	1,005,000	980,000	990,000	785,000	550,000	550,000	355,000	355,000	2,920,000
Interest and fiscal charges	407,345	426,945	444,993	411,133	195,307	207,676	319,388	158,009	53,355	156,505
Other expenditures:										
AEA flow-through	550,386	505,692	512,392	513,721	488,825	457,796	457,982	504,572	488,089	445,538
Total	\$ 19,610,555	22,321,810	23,344,825	20,375,171	16,779,714	15,987,786	17,645,889	16,909,507	14,459,348	16,370,839

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of Mid-Prairie 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 Mid-Prairie Community School District as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Prairie 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 Mid-Prairie Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the Schedule of Findings as item I-B-18 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Prairie 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 that are described in Part II of the accompanying Schedule of Findings.

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


Mid-Prairie Community School District's Responses to Findings

Mid-Prairie Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Mid-Prairie 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 21, 2019
Newton, Iowa

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2018

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-18 Segregation of Duties

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

Condition - We noted one individual has control over one or more of the following areas for the District:

- 1) Cash - bank reconciliations, the disbursement function, and replenishing petty cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - maintaining accounts receivable, recording, posting and reconciling.
- 4) Payroll - entering payroll rates and approval, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 5) Wire transfers - processing and approval.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - approval and posting.

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 continues to review ways to segregate duties in the central office. Beginning in Fiscal Year 2016 the District has engaged an external accounting

professional to perform unannounced reviews of the current named activities and processes, above. Documentation of the process, above, is ongoing. Additionally, beginning in Fiscal Year 2018 the District began a one-week mandatory vacation for all Central Office employees. While on this mandatory leave, the above-mentioned external accounting professional reviews paper and electronic files, emails, mail, work area, and workflow of the person who is on vacation. A written report to the Superintendent is provided after each review visit.

Conclusion - Response accepted.

I-B-18 Payroll Contract Controls

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

Condition - We noted during our audit that the District did not appear to receive a signed copy of the Superintendent's contract. The contract carried a provision stating a signed copy must be in the hands of the board before the start of the fiscal year to be valid.

Cause - District procedures and controls appear to have implemented with regard to payroll. However, these procedures requiring verification of signed employment contracts do not appear to be operating effectively as designed or intended.

Effect - Ineffective controls related to payroll contracts could result in an over/under payment of wages to employees in comparison to contract amounts approved by the District's Board of Education.

Recommendation - The District should review payroll procedures in place and develop additional procedures which will ensure all payroll contracts are appropriately signed, filed and received by the board of education.

Response - It is recognized that an error was made by the Business Office in the follow-up to obtain a signed contract for the Superintendent. The payment and benefits paid for the year were as approved by School Board action in the minutes of the April 24, 2017 School Board Meeting. The on-going management practice for contracts is to maintain an unsigned copy of the document on file by job classification that is managed until a signed contract is returned.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-18 Certified Budget - Expenditures for the year ended June 30, 2018, exceeded the amended certified budget in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District amended the Fiscal Year 2018 certified budget on March 9, 2018 by School Board Action and included the Other Expenditures Functional area. While it was our intent to assure these expenditure amounts were approved, the 6000 Function area was inadvertently excluded. This will be corrected in the analysis going forward.

Conclusion - Response accepted.

II-B-18 Questionable Disbursements - We noted during our audit that the District purchased clothing for employees out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

Response - The District respectfully recognizes the guidance provide by the State of Iowa to refrain from the use of public funds for the purchase of personal clothing. We believe this to be a difference of interpretation. All purchases of clothing for coaches – coaching shirts, jackets, etc.—are derived from fundraising activities for each individual sport and are fully disclosed on the fundraising form with the knowledge of the School Board —approved by the School Board and in the School Board Minutes—when the intent of a portion of the proceeds will be used for these purposes. The District School Board passed a resolution sometime during 2009-2013 that approved this as an acceptable expenditure as long as the purchased items came from fundraised funds and was disclosed as part of the fundraising activities. Taxpayer funds are not used for these expenditures. The District also believes that it is necessary for the coaches to have appropriate attire for these sports to represent the District in a professional manner. The District cautiously continues this practice.

Conclusion - Response accepted.

II-C-18 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Marianne Schlabach, Board Member		
Husband is shareholder/employee of Chris Schlabach Construction	Services	\$ 21,572

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

II-E-18 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-18 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-18 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-18 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-18 Categorical Funding - No instances were noted of categorical funding being used to supplant other than supplement other funds.
- II-K-18 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely; however, we noted the Certified Annual Report did not include the amounts recorded in the Agency Fund.

Recommendation - The District should ensure all funds and amounts certified on the Certified Annual Report to the Department of Education are a complete and accurate listing of each fund included in the District's financial statements.

Response - The District Business Office has taken steps to assure the Agency Funds will be included in the Certified Annual Report in future fiscal years. The Department of Education has been contacted to alert them to this oversight of the two most recently completed fiscal years.

Conclusion - Response accepted.

- II-L-18 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 1,489,111
Revenues:		
Sales tax revenues	\$ 1,171,059	
Other local revenues	<u>6,001</u>	<u>1,177,060</u>
Total revenues		2,666,171
Expenditures/transfers out:		
School infrastructure construction	369,840	
Equipment	375,459	
Other	90,081	
Transfer to another fund:		
Debt service fund	<u>432,215</u>	<u>1,267,595</u>
Ending balance		<u>\$ 1,398,576</u>

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

II-M-18 Interfund Loans - We noted during our audit that the District has an interfund loan which was on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2018, the District has a loan between the School Nutrition Fund and the Capital Projects: Statewide Sales, Services and Use Tax Fund that has not been repaid, in full, \$25,000 remains outstanding.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue external loans to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should repay the interfund loan as sufficient cash appears available in the School Nutrition Fund. Otherwise, the District should evaluate alternatives and develop a plan to comply with the Iowa Department of Education declaratory order dated April 11, 2009.

Response - At the September 24, 2018 School Board Meeting, the Board of Directors unanimously approved an interfund loan between the SAVE (Fund 33) and the Nutrition Fund (Fund 61) for \$25,000 principal remaining of the \$70,000.00 original principal, plus interest at 0.01% per annum, beginning June 30, 2018, for the purpose of removing the operating deficit in the Nutrition Fund. Further, it was recognized that the new loan is due October 1, 2019. It is the intention of the District to pay itself back as quickly as possible without creating additional undue financial stress to a recovering Nutrition Fund Balance Sheet. The original loan of \$73,351.51 from Fiscal Year 2014 has been paid down to a balance of \$25,000 at September 30, 2017, with additional intent to pay further principal during Fiscal Year 2019. Finally, it is recognized the preferred method of borrowing would be to secure financing from an outside lender. It is also recognized that this may cause additional expense, including finance cost, borrowing cost, and legal cost.

Conclusion - Response accepted.

II-N-18 Inactive Student Activity Accounts - We noted during our audit that the District has two accounts within the Student Activity Fund with no activity within the past two fiscal years. These accounts are Film Club and Wellness.

Recommendation - The District should review these accounts to determine if the groups are still active or if the accounts should be closed and the remaining balances reallocated within the Student Activity Fund per the discretion of the Board of Directors.

Response - The District has reviewed the inactive Student Activity Accounts and will recommend to the School Board that the Film Club and Wellness accounts be transferred to the High School Student Fund in the Operating Fund as this will then be used to meet needs of all students at the High School.

Conclusion - Response accepted.