

GARNER-HAYFIELD-VENTURA
COMMUNITY SCHOOL DISTRICT

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

Year Ended June 30, 2018

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Garner-Hayfield-Ventura Community School District

Officials

(Before September 2017 Election)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
Larry Costello	President	2017
Pamela Roberts	Vice President	2019
Diane Frank	Board Member	2019
Jack Toppin	Board Member	2017
Gene Toppin	Board Member	2019
Steve Watson	Board Member	2017
Allison Linahon	Board Member	2019

School Officials

Tyler Williams	Superintendent	2017
Patricia A. Schmidt	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

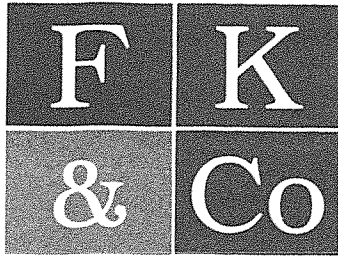
(After September 2017 Election)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
Pamela Roberts	President	2019
Steve Watson	Vice President	2021
Diane Frank	Board Member	2019
Jack Toppin	Board Member	2021
Gene Toppin	Board Member	2019
Jay Larkin	Board Member	2021
Allison Linahon	Board Member	2019

School Officials

Tyler Williams	Superintendent	2017
Patricia A. Schmidt	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

Garner-Hayfield-Ventura Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. However, because of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Units paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component units.

Basis for Disclaimer of Opinion on the Discretely Presented Component Units

The financial statements of Garner-Hayfield Community School District Education Foundation, the Garner-Hayfield Sports Booster Club, and the Ventura Community School District Foundation (Discretely Presented Component Units) have not been audited, and we were not engaged to audit the Discretely Presented Component Units' financial statements as part of our audit of the District's basic financial statements. The Discretely Presented Component Units' financial activities are included in the District's basic financial statements as discretely presented component units and represent 100% of the assets, net position, revenue and expenses of the District's discretely presented component units.

Disclaimer of Opinion on the Discretely Presented Component Units

Because the Discretely Presented Component Units financial statements have not been audited as discussed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Units paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the Discretely Presented Component Units of the Garner-Hayfield-Ventura Community School District as of and for the year ended June 30, 2018.

Unmodified Opinions

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

Emphasis of a Matter

As discussed in Note 17 to the financial statements, the 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 8 through 15 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on the financial statement of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. A disclaimer of opinion was expressed on the financial statements of the aggregate discretely presented component units. The supplementary information included in Schedules I through 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2019 on our consideration of the 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 the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC

February 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2018 FINANCIAL HIGHLIGHTS

- 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 \$2,183,504 and \$82,570, respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available. The beginning net position for governmental activities was restated by \$250,566 to report the change in early retirement reporting which is now accounted for in accordance with Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- General Fund revenues decreased from \$11,584,210 in fiscal year 2017 to \$11,272,729 in fiscal year 2018, and General Fund expenditures decreased from \$12,338,264 in fiscal year 2017 to \$12,034,694 in fiscal year 2018. The District's General Fund balance decreased from \$683,366 at the end of fiscal year 2017 to (\$78,599) at the end of fiscal year 2018, a decrease of 100%.
- The decrease in General Fund revenues was attributable to a decrease in money received from the State of Iowa due to stagnant enrollment the past few years. The decrease in expenditures was not as great as the decrease in revenues.

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 the 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the 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 non-major governmental funds, the non-major enterprise funds and the internal service funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, the before and after school program, the preschool program and the student construction 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 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, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has four Enterprise Funds, the School Nutrition Fund, the Before and After School Fund, the Preschool Fund and the Student Construction Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide services for other District programs and activities. The District currently has two Internal Service Funds, the Health Insurance Fund and the Flexible Spending Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2018 compared to June 30, 2017.

Figure A-1
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2017	2017	2017	2017	2017	2017	
	(Not	(Not	(Not	(Not	(Not		
	Restated)	Restated)	Restated)	Restated)	Restated)		2017-2018
	2018	2018	2018	2018	2018	2018	
Current and other assets	\$ 9,405	9,988	290	267	9,695	10,255	-5.5%
Capital assets	17,277	17,321	21	25	17,298	17,346	-0.3%
Total assets	26,682	27,309	311	292	26,993	27,601	-2.2%
Deferred outflows of resources	1,914	1,910	69	71	1,983	1,981	0.1%
Long-term liabilities	15,785	13,412	332	225	16,117	13,637	18.2%
Other liabilities	815	878	98	145	913	1,023	-10.8%
Total liabilities	16,600	14,290	430	370	17,030	14,660	16.2%
Deferred inflows of resources	6,040	5,649	16	14	6,056	5,663	6.9%
Net position:							
Net investment in							
capital assets	10,757	10,371	21	25	10,778	10,396	3.7%
Restricted	3,384	3,260	-	-	3,384	3,260	3.8%
Unrestricted	(8,185)	(4,351)	(87)	(46)	(8,272)	(4,397)	-88.1%
Total net position	\$ 5,956	9,280	(66)	(21)	5,890	9,259	-36.4%

The District's combined net position decreased by 36.4%, or approximately \$3,369,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with 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 approximately \$124,000, or 3.8% over the prior year. The increase was primarily a result of an increased restricted fund balance in the Capital Projects Fund.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$3,875,000, or 88.1%. The negative balance in unrestricted net position was primarily a result of the District's net pension liability and other post-employment benefits liability balance at June 30, 2018.

Figure A-2 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-2
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2017 (Not Restated)		2017 (Not Restated)		2017 (Not Restated)		2017-2018
	2018	Restated)	2018	Restated)	2018	Restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 2,080	2,104	591	559	2,671	2,663	0.3%
Operating grants, contributions and restricted interest	1,851	1,884	232	223	2,083	2,107	-1.1%
Capital grants, contributions and restricted interest	30	62	-	-	30	62	-51.6%
General revenues:							
Property tax	5,347	5,030	-	-	5,347	5,030	6.3%
Income surtax	273	388	-	-	273	388	-29.6%
Statewide sales, services and use tax	819	864	-	-	819	864	-5.2%
Unrestricted state grants	2,780	3,150	-	-	2,780	3,150	-11.7%
Unrestricted investment earnings	23	18	1	-	24	18	33.3%
Other	75	111	-	-	75	111	-32.4%
Total revenues	<u>13,278</u>	<u>13,611</u>	<u>824</u>	<u>782</u>	<u>14,102</u>	<u>14,393</u>	<u>-2.0%</u>
Program expenses:							
Instruction	9,307	8,708	202	192	9,509	8,900	6.8%
Support services	4,264	4,265	-	-	4,264	4,265	0.0%
Non-instructional programs	2	2	584	619	586	621	-5.6%
Other expenses	1,276	1,113	-	-	1,276	1,113	14.6%
Total expenses	<u>14,849</u>	<u>14,088</u>	<u>786</u>	<u>811</u>	<u>15,635</u>	<u>14,899</u>	<u>4.9%</u>
Change in net position before special item	(1,571)	(477)	38	(29)	(1,533)	(506)	203.0%
Special item	180	-	-	-	180	-	100.0%
Change in net position	(1,391)	(477)	38	(29)	(1,353)	(506)	167.4%
Net position beginning of year, as restated	<u>7,347</u>	<u>9,757</u>	<u>(104)</u>	<u>8</u>	<u>7,243</u>	<u>9,765</u>	<u>-25.8%</u>
Net position end of year	<u>\$ 5,956</u>	<u>9,280</u>	<u>(66)</u>	<u>(21)</u>	<u>5,890</u>	<u>9,259</u>	<u>-36.4%</u>

In fiscal year 2018, property tax and unrestricted state grants accounted for 61.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$14.102 million, of which approximately \$13.278 million was for governmental activities and approximately \$824,000 was for business type activities.

As shown in Figure A-2, the District as a whole experienced an 2.0% decrease in revenues and a 4.9% increase in expenses. Unrestricted state grants decreased approximately \$370,000. This is what primarily caused the decrease in revenue in fiscal year 2018.

Governmental Activities

Revenues for governmental activities were \$13,457,931 and expenses were \$14,849,070 for the year ended June 30, 2018. In another difficult budget year, the District was not able to balance the budget.

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

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2017		Change 2017-2018	2017		Change 2017-2018
	2018	(Not Restated)		2018	(Not Restated)	
Instruction	\$ 9,307	8,708	6.9%	5,822	5,169	12.6%
Support services	4,264	4,265	0.0%	4,262	4,261	0.0%
Non-instructional programs	2	2	0.0%	2	2	0.0%
Other expenses	1,276	1,113	14.6%	801	606	32.2%
Total	\$ 14,849	14,088	5.4%	10,887	10,038	8.5%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$2,080,521.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,881,514.
- The net cost of governmental activities was financed with \$6,439,217 in property and other taxes and \$2,779,780 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$824,173 representing a 5.4% increase over the prior year while expenses totaled \$786,538 a 3.1% decrease under the prior year. The District's business type activities include the School Nutrition Fund, the Before and After School Fund, the Preschool Fund and the Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 \$2,552,928, a significant decrease from last year's ending fund balances of \$3,343,949.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of many factors. A decrease in state aid was the major cause of this decrease.
- The General Fund balance decreased from \$683,366 to (\$78,599). This represents a \$761,965 decrease from the previous year. This decrease is a result of decreasing revenue, and due to increasing wage and benefit costs incurred by the District.
- The Capital Projects Fund balance decreased by \$53,211 from fiscal year 2017 to fiscal year 2018. Expenditures decreased approximately \$4,163,000 from fiscal year 2017 to fiscal year 2018. This decrease in expenditures were due to significant building addition and building renovations in fiscal year 2017.

Proprietary Fund Highlights

School Nutrition Fund net position increased from (\$277,079) at June 30, 2017 to (\$264,890) at June 30, 2018, an increase of approximately 4%. Historically, the District continues to spend more money from this fund than the revenues received by this fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Garner-Hayfield-Ventura Community School District did not amend its budget.

The District's revenues were \$555,055 less than budgeted revenues, a variance of 3.8%. The most significant variance resulted from the District receiving less money from state sources than originally anticipated.

Total expenditures should be less than budgeted expenditures, 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, the certified budget was exceeded in the instruction and the other expenditures functional areas due to timing of expenditures are year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested approximately \$17.298 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4). This represents a net decrease of 0.3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$924,160.

The original cost of the District's capital assets was approximately \$29.62 million. Governmental funds account for approximately \$29.34 million, with the remaining approximate \$0.28 million accounted for in the Proprietary, School Nutrition Fund.

Fixed asset additions were less than depreciation expense in the year. As a result, the District realized a net decrease in capital assets of 0.3% from last year.

Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-2018
Land	\$ 76	76	-	-	76	76	0.0%
Construction in progress	117	6,973	-	-	117	6,973	-98.3%
Buildings	15,718	8,890	-	-	15,718	8,890	76.8%
Improvements other than buildings	421	449	-	-	421	449	-6.2%
Furniture and equipment	945	933	21	25	966	958	0.8%
Total assets	\$ 17,277	17,321	21	25	17,298	17,346	-0.3%

Long-Term Debt

At June 30, 2018, the District had \$6,520,000 in total long-term debt outstanding compared to \$6,950,000 outstanding at June 30, 2017. This represents a decrease of approximately 6.2% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is \$0 at June 30, 2018.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District will need to continue to look for ways to cut costs in the coming years to address increases in enrollment and expenses.
- Having a better inventory of equipment and establishing tighter internal regulations on purchases will help prevent unnecessary expenditures.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Pat Schmidt, Business Manager, Garner-Hayfield-Ventura Community School District, P.O. Box 449, Garner, Iowa, 50438.

Basic Financial Statements

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash, cash equivalents and pooled investments	\$ 2,729,325	38,566	2,767,891	53,089
Investments	-	-	-	1,251,404
Receivables:				
Property tax:				
Delinquent	20,405	-	20,405	-
Succeeding year	5,584,464	-	5,584,464	-
Accounts	8,062	5,363	13,425	-
Due from other funds	80,000	228,713	308,713	-
Inventories	-	17,572	17,572	-
Due from other governments	982,964	150	983,114	-
Capital assets, net of accumulated depreciation	17,276,899	21,043	17,297,942	-
Total assets	26,682,119	311,407	26,993,526	1,304,493
Deferred Outflows of Resources				
Pension related deferred outflows	1,914,075	68,614	1,982,689	-
Total deferred outflows of resources	1,914,075	68,614	1,982,689	-
Liabilities				
Accounts payable	230,132	8,210	238,342	-
Salaries and benefits payable	48,792	-	48,792	-
Due to other governments	215,325	-	215,325	-
Due to other funds	228,713	80,000	308,713	-
Unearned revenue	-	9,575	9,575	-
Accrued interest payable	91,788	-	91,788	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	440,000	-	440,000	-
Compensated absences	56,247	-	56,247	-
Portion due after one year:				
Revenue bonds	6,080,000	-	6,080,000	-
Compensated absences	90,597	3,306	93,903	-
Net pension liability	6,227,684	223,241	6,450,925	-
Total OPEB liability	2,891,128	105,506	2,996,634	-
Total liabilities	16,600,406	429,838	17,030,244	-
Deferred Inflows of Resources				
Unavailable property tax revenue	5,584,464	-	5,584,464	-
Pension related deferred inflows	401,221	14,381	415,602	-
OPEB related deferred inflows	54,008	1,970	55,978	-
Total deferred inflows of resources	6,039,693	16,351	6,056,044	-
Net position				
Net investment in capital assets	10,756,899	21,043	10,777,942	-
Restricted for:				
Categorical funding	587,698	-	587,698	-
Debt service	255,829	-	255,829	-
Management levy purposes	246,392	-	246,392	-
Student activities	180,381	-	180,381	-
School infrastructure	1,404,935	-	1,404,935	-
Physical plant and equipment	709,212	-	709,212	-
Donor endowment	-	-	-	1,286,733
Unrestricted	(8,185,251)	(87,211)	(8,272,462)	17,760
Total net position	\$ 5,956,095	(66,168)	5,889,927	1,304,493

See notes to financial statements.

Statement of Activities

Year ended June 30, 2018

Functions / Programs:	Program Revenues						Net (Expense) Revenue and Changes in Net Position		Component Units
	Expenses	Primary Government				Governmental Activities	Business Type Activities	Total	
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest					
Primary Government:									
Governmental activities:									
Instruction:									
Regular instruction	\$ 5,661,821	1,209,774	1,187,558	-	(3,264,489)	-	(3,264,489)		
Special instruction	1,468,906	463,519	153,900	-	(851,487)	-	(851,487)		
Other instruction	2,175,952	406,173	63,831	-	(1,705,948)	-	(1,705,948)		
	<u>9,306,679</u>	<u>2,079,466</u>	<u>1,405,289</u>	<u>-</u>	<u>(5,821,924)</u>	<u>-</u>	<u>(5,821,924)</u>		
Support services:									
Student	530,195	-	-	-	(530,195)	-	(530,195)		
Instructional staff	447,731	-	-	-	(447,731)	-	(447,731)		
Administration	1,447,924	-	-	-	(1,447,924)	-	(1,447,924)		
Operation and maintenance of plant	1,286,580	1,055	-	-	(1,285,525)	-	(1,285,525)		
Transportation	551,802	-	1,657	-	(550,145)	-	(550,145)		
	<u>4,264,232</u>	<u>1,055</u>	<u>1,657</u>	<u>-</u>	<u>(4,261,520)</u>	<u>-</u>	<u>(4,261,520)</u>		
Non-instructional programs	2,263	-	-	-	(2,263)	-	(2,263)		
Other expenditures:									
Facilities acquisition	-	-	-	30,619	30,619	-	30,619		
Long-term debt interest	188,005	-	14,157	-	(173,848)	-	(173,848)		
AEA flowthrough	429,792	-	429,792	-	-	-	-		
Depreciation (unallocated)*	658,099	-	-	-	(658,099)	-	(658,099)		
	<u>1,275,896</u>	<u>-</u>	<u>443,949</u>	<u>30,619</u>	<u>(801,328)</u>	<u>-</u>	<u>(801,328)</u>		
Total governmental activities	<u>14,849,070</u>	<u>2,080,521</u>	<u>1,850,895</u>	<u>30,619</u>	<u>(10,887,035)</u>	<u>-</u>	<u>(10,887,035)</u>		
Business type activities:									
Instructional programs:									
Student construction	201,669	226,697	-	-	-	25,028	25,028		
Non-instructional programs:									
School nutrition	540,429	319,863	232,075	-	-	11,509	11,509		
Before and after school	22,936	24,966	-	-	-	2,030	2,030		
Preschool	21,504	19,892	-	-	-	(1,612)	(1,612)		
Total business type activities	<u>786,538</u>	<u>591,418</u>	<u>232,075</u>	<u>-</u>	<u>-</u>	<u>36,955</u>	<u>36,955</u>		
Total Primary Government	<u>\$ 15,635,608</u>	<u>2,671,939</u>	<u>2,082,970</u>	<u>30,619</u>	<u>(10,887,035)</u>	<u>36,955</u>	<u>(10,850,080)</u>		
Component Units:									
Garner-Hayfield Community School District									
Education Foundation	\$ 30,973	-	92,723	-	-	-	-	61,750	
Garner-Hayfield Sports Booster Club	176,633	178,124	-	-	-	-	-	1,491	
Ventura Community School District									
Foundation	27,978	-	4,120	-	-	-	-	(23,858)	
Total Component Units	<u>\$ 235,584</u>	<u>178,124</u>	<u>96,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,383</u>	
General Revenues:									
Property tax levied for:									
General purposes					\$ 4,977,582	-	4,977,582	-	
Capital outlay					369,060	-	369,060	-	
Statewide sales, services and use tax					819,275	-	819,275	-	
Income surtax					273,300	-	273,300	-	
Unrestricted state grants					2,779,780	-	2,779,780	-	
Unrestricted investment earnings					22,362	680	23,042	-	
Gain on sale of assets					19,010	-	19,010	-	
Special item					179,500	-	179,500	-	
Other					56,027	-	56,027	-	
Total general revenues					<u>9,495,896</u>	<u>680</u>	<u>9,496,576</u>	<u>-</u>	
Change in net position					(1,391,139)	37,635	(1,353,504)	39,383	
Net position beginning of year, as restated					<u>7,347,234</u>	<u>(103,803)</u>	<u>7,243,431</u>	<u>1,265,110</u>	
Net position end of year					<u>\$ 5,956,095</u>	<u>(66,168)</u>	<u>5,889,927</u>	<u>1,304,493</u>	

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

Garner-Hayfield-Ventura Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2018

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 17,927	2,116,352	537,280	2,671,559
Receivables:				
Property tax:				
Delinquent	18,084	1,412	909	20,405
Succeeding year	5,056,377	378,087	150,000	5,584,464
Accounts	7,430	-	632	8,062
Due from other funds	85,050	-	-	85,050
Due from other governments	748,366	234,598	-	982,964
Total assets	\$ 5,933,234	2,730,449	688,821	9,352,504
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 49,097	79,304	14,994	143,395
Salaries and benefits payable	48,792	-	-	48,792
Due to other governments	215,325	-	-	215,325
Due to other funds	466,506	-	136	466,642
Total liabilities	779,720	79,304	15,130	874,154
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,056,377	378,087	150,000	5,584,464
Other	175,736	165,222	-	340,958
Total deferred inflows of resources	5,232,113	543,309	150,000	5,925,422
Fund balances:				
Restricted for:				
Categorical funding	587,698	-	-	587,698
Debt service	-	158,911	96,918	255,829
Management levy purposes	-	-	246,392	246,392
Student activities	-	-	180,381	180,381
School infrastructure	-	1,404,935	-	1,404,935
Physical plant and equipment	-	543,990	-	543,990
Unassigned	(666,297)	-	-	(666,297)
Total fund balances	(78,599)	2,107,836	523,691	2,552,928
Total liabilities, deferred inflows of resources and fund balances	\$ 5,933,234	2,730,449	688,821	9,352,504

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2018

Total fund balances of governmental funds (page 19)		\$ 2,552,928
 <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.		17,276,899
The Internal Service Fund is used by management to charge the costs of the District's flexible spending plan and funding of the health insurance plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.		203,908
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		340,958
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.		(91,788)
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,914,075	
Deferred inflows of resources	<u>(455,229)</u>	1,458,846
Long-term liabilities, including revenue bonds payable, early retirement 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 in the governmental funds.		<u>(15,785,656)</u>
Net position of governmental activities (page 17)		<u><u>\$ 5,956,095</u></u>

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit E

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2018

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,847,130	530,306	235,303	5,612,739
Tuition	1,444,501	-	-	1,444,501
Other	111,910	46,766	419,893	578,569
State sources	4,461,583	823,509	2,804	5,287,896
Federal sources	382,915	-	-	382,915
Total revenues	11,248,039	1,400,581	658,000	13,306,620
Expenditures:				
Current:				
Instruction:				
Regular	5,095,379	-	82,593	5,177,972
Special	1,358,911	-	6,823	1,365,734
Other	1,602,941	-	417,256	2,020,197
	8,057,231	-	506,672	8,563,903
Support services:				
Student	481,696	-	3,008	484,704
Instructional staff	280,944	171,920	1,849	454,713
Administration	1,297,639	-	31,985	1,329,624
Operation and maintenance of plant	1,101,584	-	61,508	1,163,092
Transportation	385,808	143,367	24,301	553,476
	3,547,671	315,287	122,651	3,985,609
Non-instructional programs	-	-	2,263	2,263
Other expenditures:				
Facilities acquisition	-	697,579	-	697,579
Long-term debt:				
Principal	-	-	430,000	430,000
Interest and fiscal charges	-	-	192,685	192,685
AEA flowthrough	429,792	-	-	429,792
	429,792	697,579	622,685	1,750,056
Total expenditures	12,034,694	1,012,866	1,254,271	14,301,831
Excess (deficiency) of revenues over (under) expenditures	(786,655)	387,715	(596,271)	(995,211)
Other financing sources (uses):				
Sale of capital assets	24,690	-	-	24,690
Transfers in	-	-	620,426	620,426
Transfers out	-	(620,426)	-	(620,426)
Total other financing sources (uses)	24,690	(620,426)	620,426	24,690
Special item:				
Sale of real estate	-	179,500	-	179,500
Total special item	-	179,500	-	179,500
Change in fund balances	(761,965)	(53,211)	24,155	(791,021)
Fund balances beginning of year	683,366	2,161,047	499,536	3,343,949
Fund balances end of year	\$ (78,599)	2,107,836	523,691	2,552,928

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2018

Net change in fund balances - total governmental funds (page 21) \$ (791,021)

*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. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 875,882	
Depreciation expense	<u>(920,151)</u>	(44,269)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (52,879)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 430,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,680

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. 586,699

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:

Compensated absences	6,804	
Pension expense	(888,917)	
OPEB expense	<u>(652,463)</u>	(1,534,576)

The Internal Service Fund is used by management to charge the costs of the District's flexible spending plan and funding of the health insurance plan to individual funds. The changes in net assets of the Internal Service Fund are reported in governmental activities. 10,227

Change in net position of governmental activities (page 18) \$ (1,391,139)

Statement of Net Position
Proprietary Funds

June 30, 2018

	Business - Type Activities			Governmental Activities
	Enterprise School Nutrition	Nonmajor Enterprise Funds	Total	Internal Service
Assets				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 29,380	9,186	38,566	57,766
Accounts receivable	5,363	-	5,363	-
Inventories	17,572	-	17,572	-
Due from other funds	3,517	226,974	230,491	237,929
Due from other governments	-	150	150	-
Total current assets	55,832	236,310	292,142	295,695
Noncurrent assets:				
Capital assets, net of accumulated depreciation	21,043	-	21,043	-
Total noncurrent assets	21,043	-	21,043	-
Total assets	76,875	236,310	313,185	295,695
Deferred Outflows of Resources				
Pension related deferred outflows	62,098	6,516	68,614	-
Total deferred outflows of resources	62,098	6,516	68,614	-
Liabilities				
Current liabilities:				
Accounts payable	-	8,210	8,210	86,737
Due to other funds	80,000	1,778	81,778	5,050
Unearned revenue	9,575	-	9,575	-
Total current liabilities	89,575	9,988	99,563	91,787
Noncurrent liabilities:				
Compensated absences payable	2,961	345	3,306	-
Net pension liability	202,043	21,198	223,241	-
Total OPEB liability	94,503	11,003	105,506	-
Total noncurrent liabilities	299,507	32,546	332,053	-
Total liabilities	389,082	42,534	431,616	91,787
Deferred Inflows of Resources				
Pension related deferred inflows	13,016	1,365	14,381	-
OPEB related deferred inflows	1,765	205	1,970	-
Total deferred inflows of resources	14,781	1,570	16,351	-
Net Position				
Net investment in capital assets	21,043	-	21,043	-
Unrestricted	(285,933)	198,722	(87,211)	203,908
Total net position	\$ (264,890)	198,722	(66,168)	203,908

See notes to financial statements.

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2018

	Business - Type Activities			Governmental Activities
	Enterprise School Nutrition	Nonmajor Enterprise Funds	Total	Internal Service
	Operating revenues:			
Local sources:				
Sale of student constructed house	\$ -	226,697	226,697	-
Charges for services	319,863	44,858	364,721	-
Charges to operating funds	-	-	-	1,851,075
Charges to employees	-	-	-	56,758
Total operating revenue	319,863	271,555	591,418	1,907,833
Operating expenses:				
Instruction:				
Other instruction	-	201,669	201,669	-
	-	201,669	201,669	-
Non-instructional programs:				
Food service operations:				
Salaries	217,972	-	217,972	-
Benefits	68,642	-	68,642	-
Supplies	249,806	-	249,806	-
Depreciation	4,009	-	4,009	-
Other enterprise operations:				
Salaries	-	25,598	25,598	-
Benefits	-	16,505	16,505	-
Supplies	-	2,337	2,337	-
Insurance premiums	-	-	-	1,842,741
Flexible spending claims	-	-	-	54,997
	540,429	44,440	584,869	1,897,738
Total operating expenses	540,429	246,109	786,538	1,897,738
Operating income (loss)	(220,566)	25,446	(195,120)	10,095
Non-operating revenues:				
State sources	3,894	-	3,894	-
Federal sources	228,181	-	228,181	-
Interest income	680	-	680	132
Total non-operating revenues	232,755	-	232,755	132
Increase in net position	12,189	25,446	37,635	10,227
Net position beginning of year, as restated	(277,079)	173,276	(103,803)	193,681
Net position end of year	\$ (264,890)	198,722	(66,168)	203,908

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2018

	Business - Type Activities			Governmental
	Enterprise	Nonmajor	Total	Internal
	School	Enterprise		
Nutrition	Funds			
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 319,036	-	319,036	-
Cash received from sale of student constructed house	-	226,697	226,697	-
Cash received from tuition	-	44,708	44,708	-
Cash received from operating fund reimbursements	-	-	-	1,851,075
Cash received from employees	-	-	-	56,758
Cash paid to employees for services	(212,067)	(35,344)	(247,411)	-
Cash paid to suppliers for goods and services	(264,223)	(204,765)	(468,988)	(1,902,270)
Net cash provided (used) by operating activities	(157,254)	31,296	(125,958)	5,563
Cash flows from non-capital financing activities:				
State grants received	3,894	-	3,894	-
Federal grants received	185,890	-	185,890	-
Net cash provided by non-capital financing activities	189,784	-	189,784	-
Cash flows from capital and related financing activities:				
Due from other funds (increase)	(3,517)	(226,974)	(230,491)	(147,008)
Due to other funds increase (decrease)	(45,657)	1,778	(43,879)	(7,843)
Net cash (used) by capital and related financing activities	(49,174)	(225,196)	(274,370)	(154,851)
Cash flows from investing activities:				
Interest on investments	680	-	680	132
Net (decrease) in cash and cash equivalents	(15,964)	(193,900)	(209,864)	(149,156)
Cash and cash equivalents beginning of year	45,344	203,086	248,430	206,922
Cash and cash equivalents end of year	\$ 29,380	9,186	38,566	57,766
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (220,556)	25,446	(195,110)	10,095
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used	42,291	-	42,291	-
Depreciation	4,009	-	4,009	-
(Increase) in accounts receivable	(116)	-	(116)	-
(Increase) in due from other governments	-	(150)	(150)	-
(Increase) in inventories	(4,552)	-	(4,552)	-
(Increase) Decrease in deferred outflows of resources	3,466	(1,299)	2,167	-
(Decrease) in accounts payable	-	(759)	(759)	(4,532)
Increase (Decrease) in compensated absences payable	(431)	59	(372)	-
(Decrease) in unearned revenue	(711)	-	(711)	-
(Decrease) Increase in net pension liability	(2,163)	5,159	2,996	-
Increase in deferred inflows of resources	1,958	562	2,520	-
Increase in OPEB liability	19,551	2,278	21,829	-
Net cash provided (used) by operating activities	\$ (157,254)	31,296	(125,958)	5,563

Non-cash investing, capital and financing activities:

During the year ended June 30, 2018, the District received \$42,291 of federal commodities.

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Fund

June 30, 2018

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 23,025
Total assets	<u>23,025</u>
Liabilities	<u>-</u>
Net position	
Restricted for scholarships	<u>\$ 23,025</u>

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year ended June 30, 2018

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and donations	\$ 6,250
Interest income	313
Total additions	<u>6,563</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,500</u>
Change in net position	1,063
Net position beginning of year	<u>21,962</u>
Net position end of year	<u><u>\$ 23,025</u></u>

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit L

Statement of Net Position
Component Units

June 30, 2018

	Garner-Hayfield Community School District Education Foundation	Garner-Hayfield Sports Booster Club	Ventura Community School District Foundation	Total Component Units
Assets				
Cash and cash equivalents	\$ 33,578	17,760	1,751	53,089
Investments	1,197,131	-	54,273	1,251,404
Total assets	1,230,709	17,760	56,024	1,304,493
Net position				
Restricted for:				
Donor endowment	1,230,709	-	56,024	1,286,733
Unrestricted	-	17,760	-	17,760
Total net position	\$ 1,230,709	17,760	56,024	1,304,493

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Exhibit M

Statement of Activities
Component Units

Year ended June 30, 2018

	Garner-Hayfield Community School District Education Foundation	Garner-Hayfield Sports Booster Club	Ventura Community School District Foundation	Total Component Units
Expenses	\$ 30,973	176,633	27,978	235,584
Program revenues:				
Charges for service	-	178,124	-	178,124
Operating grants, contributions and restricted interest	92,723	-	4,120	96,843
Capital grants, contributions and restricted interest	-	-	-	-
Total program revenues	92,723	178,124	4,120	274,967
Change in net position	61,750	1,491	(23,858)	39,383
Net position beginning of year	1,168,959	16,269	79,882	1,265,110
Net position end of year	\$ 1,230,709	17,760	56,024	1,304,493

See notes to financial statements.

Garner-Hayfield-Ventura Community School District

Notes to Financial Statements

June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

For financial reporting purposes, the 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.

These financial statements present the Garner-Hayfield-Ventura Community School District (the primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationship with the District.

Discretely Presented Component Units

The Garner-Hayfield Community School District Education Foundation, the Garner-Hayfield Sports Booster Club and the Ventura Community School District Foundation are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the financial information; however, the assets, liabilities, revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Position and Statement of Activities.

The following documents the discretely presented component units of the District:

- The Garner-Hayfield Community School District Education Foundation was created to financially support the Garner-Hayfield Community School system and post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

- The Garner-Hayfield Sports Booster Club was created to financially support the Garner-Hayfield Community School system and the athletic department activities. The Booster Club is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Booster Club meets the definition of a component unit which should be discretely presented.
- The Ventura Community School District Foundation was created to financially support the Ventura Community School system and post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Cerro Gordo County Assessor's 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 nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. All remaining enterprise funds are aggregated and reported as nonmajor enterprise funds. All internal service funds are aggregated and reported as governmental activities in the proprietary 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 District also reports the following major proprietary fund:

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

The District also reports the following non-major proprietary funds:

The District's non-major proprietary funds are the Enterprise, Before and After School Fund, the Preschool Fund and the Student Construction Fund, as well as the Internal Service, Health Insurance and the Flexible Spending Fund. The Before and After School Fund is used to account for the before and after school childcare operations of the District. The Preschool Fund is used to account for preschool operations of the District. The Student Construction Fund is used to account for the proceeds from the sale of and the costs of the construction of houses. The Health Insurance Fund is used to account for the District's health insurance plan. The Flexible Spending Fund is used to account for the flexible health and childcare benefits program offered by the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and the Goldman Sachs Financial Square Funds – Government Fund which are 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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

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

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

Unearned Revenue – Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

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 fund financial statements only for employees who have resigned or retired. 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.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 income surtax, as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Fund Balance – 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 classification.

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 instruction and the other expenditures functions.

(2) CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

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

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

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

At June 30, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Diversified Portfolio which are valued at an amortized cost of \$618 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

At June 30, 2018, the District had investments in the Goldman Sachs Financial Square Funds – Government Fund which are valued at an amortized cost of \$252,365, pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the Goldman Sachs investments. The investment in Goldman Sachs Financial Square Funds – Government Fund was rated AAAM by Standard & Poor's Financial Services.

(3) DUE FROM AND DUE TO OTHER FUNDS

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

Receivable Fund	Payable Fund	Amount
General	Enterprise: Nutrition	\$ 80,000
	Internal Service: Flexible Spending	5,050
		<u>85,050</u>
Enterprise: Nutrition	General	1,603
	Special Revenue: Student Activity	136
Student Construction	Internal Service: Before and After School	1,778
	General	<u>226,974</u>
		<u>230,491</u>
Internal Service: Health Insurance	General	<u>237,929</u>
	Total	<u>\$ 553,470</u>

The above due from/to amounts represents corrections of incorrect recording of transactions, funds due from one fund to another fund in order to record the related expenditures in the proper fund, and the temporary borrowing of monies between funds to meet cash flow requirements.

(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	<u>\$ 620,426</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 76,153	-	-	76,153
Construction in progress	6,972,462	433,648	(7,289,110)	117,000
Total capital assets not being depreciated	<u>7,048,615</u>	<u>433,648</u>	<u>(7,289,110)</u>	<u>193,153</u>
Capital assets being depreciated:				
Buildings	16,339,916	7,485,674	-	23,825,590
Improvements other than buildings	1,254,158	26,053	-	1,280,211
Furniture and equipment	3,819,300	219,617	-	4,038,917
Total capital assets being depreciated	<u>21,413,374</u>	<u>7,731,344</u>	<u>-</u>	<u>29,144,718</u>
Less accumulated depreciation for:				
Buildings	7,449,227	658,099	-	8,107,326
Improvements other than buildings	805,264	54,313	-	859,577
Furniture and equipment	2,886,330	207,739	-	3,094,069
Total accumulated depreciation	<u>11,140,821</u>	<u>920,151</u>	<u>-</u>	<u>12,060,972</u>
Total capital assets being depreciated, net	<u>10,272,553</u>	<u>6,811,193</u>	<u>-</u>	<u>17,083,746</u>
Governmental activities capital assets, net	<u>\$ 17,321,168</u>	<u>7,244,841</u>	<u>(7,289,110)</u>	<u>17,276,899</u>
Business type activities:				
Furniture and equipment	\$ 279,200	-	-	279,200
Less accumulated depreciation	254,148	4,009	-	258,157
Business type activities capital assets, net	<u>\$ 25,052</u>	<u>(4,009)</u>	<u>-</u>	<u>21,043</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:	
Regular	\$ 66,758
Other	6,683
Support services:	
Administration	5,466
Operation and maintenance of plant	75,725
Transportation	107,420
	<u>262,052</u>
Unallocated	<u>658,099</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 920,151</u></u>

Business type activities:

Food service operations	<u><u>\$ 4,009</u></u>
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(6) LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 6,950,000	-	430,000	6,520,000	440,000
Compensated absences	153,648	146,844	153,648	146,844	90,597
Net pension liability	5,949,115	278,569	-	6,227,684	-
Total OPEB liability	2,292,673	598,455	-	2,891,128	-
 Total	 <u>\$15,345,436</u>	 <u>1,023,868</u>	 <u>583,648</u>	 <u>15,785,656</u>	 <u>530,597</u>
 Business type activities:					
Compensated absences	\$ 3,678	3,306	3,678	3,306	-
Net pension liability	220,245	2,996	-	223,241	-
Total OPEB liability	83,667	21,839	-	105,506	-
 Total	 <u>\$ 307,590</u>	 <u>28,141</u>	 <u>3,678</u>	 <u>332,053</u>	 <u>-</u>

Revenue Bonds

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 July 1, 2010			Bond Issue of December 29, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	3.20%	\$ 70,000	42,800	1.00%	\$ 61,000	20,947
2020	3.40%	75,000	40,405	1.00%	62,000	20,332
2021	3.60%	75,000	37,779	1.50%	63,000	19,549
2022	3.85%	80,000	34,889	1.50%	64,000	18,596
2023	4.00%	85,000	31,650	1.95%	65,000	17,482
2024-2028	4.05-4.25%	480,000	102,045	1.95-3.15%	351,000	63,460
2029-2030	4.30-4.40%	230,000	10,285	3.65%	205,000	9,383
Total		<u>\$ 1,095,000</u>	<u>299,853</u>		<u>\$ 871,000</u>	<u>169,749</u>

Year Ending June 30,	Bond Issue of December 29, 2015			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.60%	\$ 309,000	114,387	440,000	178,134	618,134
2020	2.60%	318,000	106,236	455,000	166,973	621,973
2021	2.60%	327,000	97,851	465,000	155,179	620,179
2022	2.60%	336,000	89,232	480,000	142,717	622,717
2023	2.60%	345,000	80,379	495,000	129,511	624,511
2024-2028	2.60%	1,844,000	261,976	2,675,000	427,481	3,102,481
2029-2030	2.60%	1,075,000	35,113	1,510,000	54,781	1,564,781
Total		<u>\$ 4,554,000</u>	<u>785,174</u>	<u>6,520,000</u>	<u>1,254,776</u>	<u>7,774,776</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,730,000 bonds issued in August 2011 and \$5,205,000 and \$1,000,000 revenue bonds issued in December, 2015. The bonds were issued for the purpose of financing a portion of the costs of major school improvements and additions. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through fiscal year 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 76% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,774,776. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$618,690 and \$819,275, respectively.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) \$158,911 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the project account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did not properly fund the sinking account during the year.

Early Retirement

The Garner-Hayfield and the Ventura Community School Districts have all approved early retirement plans to its employees in various years prior to the 2015-2016 school year. The requirements in order to be eligible for early retirement have varied throughout the years. Each application for early retirement was subject to the approval by the Board of Education.

The District also approved a voluntary early retirement plan for every year subsequent to the 2014-2015 school year. Eligibility requirements and the early retirement benefit have varied throughout the years. Each application for early retirement was subject to the approval of the Board of Education.

As a result of the District merger effective in the 2015-2016 school year, the Garner-Hayfield-Ventura Community School District is now responsible for the remaining liability from the prior offerings. Actual early retirement expenditures for the year ended June 30, 2018 totaled \$57,198.

Effective July 1, 2017, the early retirement benefits are accounted for as an explicit benefit, with the liability part of the Total OPEB liability amount in accordance with Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. An accounting change of \$250,566 was made for this restatement, as noted in Note 17 to the financial statements.

(7) OPERATING LEASE

The District entered into a lease on October, 2017 to lease copier equipment at \$1,432 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on September, 2022.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2018:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 17,182
2020	17,182
2021	17,182
2022	17,182
2023	<u>4,295</u>
	<u>\$ 73,023</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement were \$16,383.

(8) PENSION PLAN

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

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

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

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

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

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

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 totaled \$604,341.

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 \$6,450,925 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 0.0968423%, which was a decrease of 0.001188% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$912,207. 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	\$ 59,226	55,891
Changes of assumptions	1,120,874	-
Net difference between projected and actual earnings on IPERS' investments	-	67,378
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	198,248	292,333
District contributions subsequent to the measurement date	604,341	-
Total	\$ 1,982,689	415,602

\$604,341 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 181,230
2020	485,661
2021	224,743
2022	(1,615)
2023	72,727
	\$ 962,746

There were no non-employer contributing entities to 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 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	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	100.0 %	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 10,628,536	6,450,925	2,940,929

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 \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(9) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. Retirees who receive health insurance as a benefit at the District's expense are accounted for as an explicit subsidy and results in an OPEB explicit liability. This results in an explicit rate subsidy and is added to the Total 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	6
Active employees	<u>110</u>
Total	<u><u>116</u></u>

Total OPEB Liability – The District's total OPEB liability of \$2,996,634 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)	3.50% 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 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 MP-17 and applied on a gender specific basis.

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	\$ 2,376,340
Changes for the year:	
Service cost	228,528
Interest	98,506
Changes of benefit terms	473,465
Changes in assumptions	(61,637)
Benefit payments	<u>(118,568)</u>
Net changes	<u>620,294</u>
Total OPEB liability end of year	<u>\$ 2,996,634</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	\$ 3,216,000	2,997,000	2,796,000

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	\$ 2,660,000	2,997,000	3,429,000

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the District recognized OPEB expense of \$794,842. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 55,978
Total	<u>\$ 55,978</u>

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

Year Ended June 30,	Amount
2019	\$ 5,657
2020	5,657
2021	5,657
2022	5,657
2023	5,657
Thereafter	27,693
	<u>\$ 55,978</u>

(10) RISK MANAGEMENT

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

(11) AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$429,792 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) TAX ABATEMENTS

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

Tax Abatements of Other Entities

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 Garner	Urban renewal and economic development projects	\$ 20,583
City of Clear Lake	Urban renewal and economic development projects	458

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 \$12,854.

(13) DEFICIT FUND BALANCES

The following deficit fund balances existed at June 30, 2018:

General	\$	78,599
Enterprise, School Nutrition		264,890
Enterprise, Before and After School		8,833
Enterprise, Preschool		11,354

The General Fund and the Enterprise, School Nutrition Fund deficits were caused by spending more monies than available in the funds. It is anticipated these deficits will be eliminated through the reduction of expenses.

The Enterprise, Before and After School Fund and the Enterprise, Preschool Fund deficits were caused by the net pension liability amounts.

In the Statement of Net Position, the District had a deficit unrestricted net position in its Governmental Activities of \$8,185,251 and a deficit unrestricted net position in its Business Type Activities of \$87,211 at June 30, 2018. The reason for these deficit net positions is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during fiscal year 2015, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015.

(14) COMMITMENTS

The District entered into a contract for the purchase of playground equipment for approximately \$191,000. This amount will be paid in fiscal year 2019 and will be paid as the project is completed.

(15) 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.

<u>Program</u>	<u>Amount</u>
Limited english proficient	\$ 359
Home school assistance	50,696
Youth development grant	200
Teacher salary supplement	132,607
Model core curriculum	4,000
Successful progression for early readers	76,166
Professional development for model core curriculum	117,480
Professional development	7,567
Four-year old preschool state aid	167,995
Teacher leadership grants	<u>30,628</u>
Total	<u>\$ 587,698</u>

(16) SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 20, 2019, which is the date the financial statements were available to be issued.

(17) 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, the business type activities and the various Enterprise Funds was restated to retroactively report the change in valuation of the beginning total OPEB liability.

Beginning net position of governmental activities was also restated to report the change in early retirement benefit reporting which is now accounted for in accordance with Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The effects of these restatements are as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Enterprise - School Nutrition</u>	<u>Enterprise - Before and After School</u>	<u>Enterprise - Preschool</u>
Net position June 30, 2017, as previously reported	\$ 9,280,172	(21,233)	(202,856)	(5,806)	(6,452)
OPEB obligation measured under previous standards	109,169	1,097	719	-	378
Total OPEB liability at June 30, 2017	(2,292,673)	(83,667)	(74,942)	(5,057)	(3,668)
Early retirement adjustments	<u>250,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position July 1, 2017, as restated	<u>\$ 7,347,234</u>	<u>(103,803)</u>	<u>(277,079)</u>	<u>(10,863)</u>	<u>(9,742)</u>

(18) SPECIAL ITEM

During the year ended June 30, 2018, the District sold real estate to the City of Garner for \$179,500.

Required Supplementary Information

Garner-Hayfield-Ventura 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 Funds Actual	Proprietary Fund Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts Original/Final	Final to Actual Variance
Revenues:							
Local sources	\$ 7,635,809	2,500,063	10,135,872	1,907,965	8,227,907	8,461,125	(233,218)
State sources	5,287,896	3,894	5,291,790	-	5,291,790	5,724,723	(432,933)
Federal sources	382,915	228,181	611,096	-	611,096	500,000	111,096
Total revenues	13,306,620	2,732,138	16,038,758	1,907,965	14,130,793	14,685,848	(555,055)
Expenditures/Expenses:							
Instruction	8,563,903	201,669	8,765,572	-	8,765,572	8,545,224	(220,348)
Support services	3,985,609	-	3,985,609	-	3,985,609	4,620,245	634,636
Non-instructional programs	2,263	2,482,607	2,484,870	1,897,738	587,132	775,000	187,868
Other expenditures	1,750,056	-	1,750,056	-	1,750,056	1,682,968	(67,088)
Total expenditures/expenses	14,301,831	2,684,276	16,986,107	1,897,738	15,088,369	15,623,437	535,068
Excess (deficiency) of revenues over (under) expenditures/expenses	(995,211)	47,862	(947,349)	10,227	(957,576)	(937,589)	(19,987)
Other financing sources, net	24,690	-	24,690	-	24,690	-	24,690
Special item	179,500	-	179,500	-	179,500	-	179,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(791,021)	47,862	(743,159)	10,227	(753,386)	(937,589)	184,203
Balances beginning of year	3,343,949	89,878	3,433,827	193,681	3,240,146	3,122,073	118,073
Balances end of year	\$ 2,552,928	137,740	2,690,668	203,908	2,486,760	2,184,484	302,276

See accompanying independent auditor's report.

Garner-Hayfield-Ventura 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 Garner-Hayfield-Ventura Community School District's (District) budget is prepared on the 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 did not adopt a budget amendment

During the year ended June 30, 2018, expenditures exceeded the amounts budgeted in the instruction and the other expenditures functions.

Garner-Hayfield-Ventura Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	2018	2017
District's proportion of the net pension liability	0.096842%	0.098030%
District's proportionate share of the net pension liability	\$ 6,451	6,169
District's covered payroll	\$ 7,229	7,035
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.69%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%

* 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.

Garner-Hayfield-Ventura Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 604	646	628
Contributions in relation to the statutorily required contribution	<u>(604)</u>	<u>(646)</u>	<u>(628)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 6,768	7,229	7,035
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%

* - District was a new entity as of July 1, 2015.

See accompanying independent auditor's report.

Garner-Hayfield-Ventura 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- 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.

Garner-Hayfield-Ventura Community School District

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

For the Current Year
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 228,528
Interest cost	98,506
Changes in benefit terms	473,465
Changes in assumptions	(61,637)
Benefit payments	<u>(118,568)</u>
Net change in total OPEB liability	620,294
Total OPEB liability beginning of year, as restated	<u>2,376,340</u>
Total OPEB liability end of year	<u>\$ 2,996,634</u>
Covered employee payroll	\$ 6,286,814
Total OPEB liability as a percentage of of covered-employee payroll	47.67%

See accompanying Independent Auditor's Report.

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

Changes in benefit terms:

The certified staff are offered a \$40,000 retirement incentive.

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%

Supplementary Information

Garner-Hayfield-Ventura Community School District

Schedule I

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	Special Revenue			Total
	Student Activity	Management Levy	Debt Service	
Assets				
Cash, cash equivalents and pooled investments	\$ 194,557	245,809	96,914	537,280
Receivables:				
Property tax:				
Delinquent	-	909	-	909
Succeeding year	-	150,000	-	150,000
Accounts	628	-	4	632
Total assets	\$ 195,185	396,718	96,918	688,821
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 14,668	326	-	14,994
Due to other funds	136	-	-	136
Total liabilities	14,804	326	-	15,130
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	150,000	-	150,000
Total deferred inflows of resources	-	150,000	-	150,000
Fund balances:				
Restricted for:				
Debt service	-	-	96,918	96,918
Management levy purposes	-	246,392	-	246,392
Student activities	180,381	-	-	180,381
Total fund balances	180,381	246,392	96,918	523,691
Total liabilities, deferred inflows of resources and fund balances	\$ 195,185	396,718	96,918	688,821

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2018

	Special Revenue			Total
	Student Activity	Management Levy	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ -	235,303	-	235,303
Other	397,795	21,435	663	419,893
State sources	-	2,804	-	2,804
Total revenues	<u>397,795</u>	<u>259,542</u>	<u>663</u>	<u>658,000</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	82,593	-	82,593
Special	-	6,823	-	6,823
Other	407,398	9,858	-	417,256
Support services:				
Student	-	3,008	-	3,008
Instructional staff	-	1,849	-	1,849
Administration	-	31,985	-	31,985
Operation and maintenance of plant	-	61,508	-	61,508
Transportation	-	24,301	-	24,301
Non-instructional programs	-	2,263	-	2,263
Other expenditures:				
Long-term debt:				
Principal	-	-	430,000	430,000
Interest and fiscal charges	-	-	192,685	192,685
Total expenditures	<u>407,398</u>	<u>224,188</u>	<u>622,685</u>	<u>1,254,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,603)</u>	<u>35,354</u>	<u>(622,022)</u>	<u>(596,271)</u>
Other financing sources (uses):				
Transfers in	-	-	620,426	620,426
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>620,426</u>	<u>620,426</u>
Change in fund balances	(9,603)	35,354	(1,596)	24,155
Fund balances beginning of year	<u>189,984</u>	<u>211,038</u>	<u>98,514</u>	<u>499,536</u>
Fund balances end of year	<u>\$ 180,381</u>	<u>246,392</u>	<u>96,918</u>	<u>523,691</u>

See accompanying independent auditor's report.

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2018

	Before and After School	Preschool	Student Construction	Total
Assets				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 8,088	1,098	-	9,186
Due from other funds	-	-	226,974	226,974
Due from other governments	-	150	-	150
Total assets	8,088	1,248	226,974	236,310
Deferred Outflows of Resources				
Pension related deferred outflows	3,371	3,145	-	6,516
Total deferred outflows of resources	3,371	3,145	-	6,516
Liabilities				
Current liabilities:				
Accounts payable	145	-	8,065	8,210
Due to other funds	1,778	-	-	1,778
Total current liabilities	1,923	-	8,065	9,988
Noncurrent liabilities:				
Compensated absences payable	200	145	-	345
Net pension liability	10,967	10,231	-	21,198
Total OPEB liability	6,377	4,626	-	11,003
Total noncurrent liabilities	17,544	15,002	-	32,546
Total liabilities	19,467	15,002	8,065	42,534
Deferred Inflows of Resources				
Pension related deferred inflows	706	659	-	1,365
OPEB related deferred inflows	119	86	-	205
Total deferred inflows of resources	825	745	-	1,570
Net Position				
Unrestricted	(8,833)	(11,354)	218,909	198,722
Total net position	\$ (8,833)	(11,354)	218,909	198,722

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 4

Combining Schedule of Revenues, Expenses
and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2018

	Before and After School	Preschool	Student Construction	Total
Operating revenues:				
Local sources:				
Sale of student constructed house	\$ -	-	226,697	226,697
Charges for service	24,966	19,892	-	44,858
Total operating revenues	24,966	19,892	226,697	271,555
Operating expenses:				
Instruction:				
Other instruction	-	-	201,669	201,669
	-	-	201,669	201,669
Non-instructional programs:				
Other enterprise operations:				
Salaries	14,777	10,821	-	25,598
Benefits	5,963	10,542	-	16,505
Supplies	2,196	141	-	2,337
	22,936	21,504	-	44,440
Total operating expenses	22,936	21,504	201,669	246,109
Increase (Decrease) in net position	2,030	(1,612)	25,028	25,446
Net position beginning of year, as restated	(10,863)	(9,742)	193,881	173,276
Net position end of year	\$ (8,833)	(11,354)	218,909	198,722

See accompanying independent auditor's report.

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2018

	Before and After School	Preschool	Student Construction	Total
Cash flows from operating activities:				
Cash received from sale of student constructed house	\$ -	-	226,697	226,697
Cash received from tuition	24,966	19,742	-	44,708
Cash payments to employees for services	(16,908)	(18,436)	-	(35,344)
Cash payments to suppliers for goods and services	(2,051)	(208)	(202,506)	(204,765)
Net cash provided by operating activities	6,007	1,098	24,191	31,296
Cash flows from capital and related financing activities:				
Due from other funds (increase)	-	-	(226,974)	(226,974)
Due to other funds increase	1,778	-	-	1,778
Net cash provided (used) by capital and related financing activities	1,778	-	(226,974)	(225,196)
Net increase (decrease) in cash and cash equivalents	7,785	1,098	(202,783)	(193,900)
Cash and cash equivalents at beginning of year	303	-	202,783	203,086
Cash and cash equivalents at end of year	\$ 8,088	1,098	-	9,186
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,030	(1,612)	25,028	25,446
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
(Increase) in due from other governments	-	(150)	-	(150)
(Increase) in deferred outflows of resources	(796)	(503)	-	(1,299)
Increase (Decrease) in accounts payable	145	(67)	(837)	(759)
Increase in compensated absences payable	40	19	-	59
Increase in net pension liability	2,947	2,212	-	5,159
Increase in deferred inflows of resources	321	241	-	562
Increase in OPEB liability	1,320	958	-	2,278
Net cash provided by operating activities	\$ 6,007	1,098	24,191	31,296

See accompanying independent auditor's report.

Combining Schedule of Net Position
Internal Service Funds

June 30, 2018

	Internal Service Funds		
	Health Insurance	Flexible Spending	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 37,837	19,929	57,766
Due from other funds	237,929	-	237,929
Total assets	<u>275,766</u>	<u>19,929</u>	<u>295,695</u>
Liabilities:			
Current liabilities:			
Accounts payable	83,959	2,778	86,737
Due to other funds	-	5,050	5,050
Total liabilities	<u>83,959</u>	<u>7,828</u>	<u>91,787</u>
Net Position			
Unrestricted	<u>191,807</u>	<u>12,101</u>	<u>203,908</u>
Total net position	<u>\$ 191,807</u>	<u>12,101</u>	<u>203,908</u>

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 7

Combining Schedule of Revenues, Expenses, and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2018

	Internal Service Funds		
	Health Insurance	Flexible Spending	Total
Operating revenues:			
Charges to operating funds	\$ 1,851,075	-	1,851,075
Charges to employees	-	56,758	56,758
Total operating revenues	<u>1,851,075</u>	<u>56,758</u>	<u>1,907,833</u>
Operating expenses:			
Non-instructional programs:			
Insurance premiums	1,842,741	-	1,842,741
Flexible spending claims	-	54,997	54,997
Total operating expenses	<u>1,842,741</u>	<u>54,997</u>	<u>1,897,738</u>
Operating income	<u>8,334</u>	<u>1,761</u>	<u>10,095</u>
Non-operating revenues:			
Interest income	-	132	132
Net non-operating revenues	<u>-</u>	<u>132</u>	<u>132</u>
Increase in net position	8,334	1,893	10,227
Net position beginning of year	<u>183,473</u>	<u>10,208</u>	<u>193,681</u>
Net position ending of year	<u>\$ 191,807</u>	<u>12,101</u>	<u>203,908</u>

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 8

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2018

	Internal Service Funds		
	Health Insurance	Flexible Spending	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,851,075	-	1,851,075
Cash received from employees	-	56,758	56,758
Cash paid to suppliers for goods and services	(1,840,815)	(61,455)	(1,902,270)
Net cash provided (used) by operating activities	<u>10,260</u>	<u>(4,697)</u>	<u>5,563</u>
Cash flows from capital and related financing activities:			
Due from other funds (increase) decrease	(154,851)	7,843	(147,008)
Due to other funds (decrease)	(7,843)	-	(7,843)
Net cash provided (used) by capital and related financing activities	<u>(162,694)</u>	<u>7,843</u>	<u>(154,851)</u>
Cash flows from investing activities:			
Interest on investments	-	132	132
Net increase (decrease) in cash and cash equivalents	<u>(152,434)</u>	<u>3,278</u>	<u>(149,156)</u>
Cash and cash equivalents at beginning of year	<u>190,271</u>	<u>16,651</u>	<u>206,922</u>
Cash and cash equivalents at end of year	<u>\$ 37,837</u>	<u>19,929</u>	<u>57,766</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 8,334	1,761	10,095
Adjustments to reconcile operating to net cash provided by operating activities:			
Increase (Decrease) in accounts payable	<u>1,926</u>	<u>(6,458)</u>	<u>(4,532)</u>
Net cash provided (used) by operating activities	<u>\$ 10,260</u>	<u>(4,697)</u>	<u>5,563</u>

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 9

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2018

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Athletics	\$ 25,486	89,223	93,915	(18,985)	1,809
HS boys track	1,270	803	683	1,356	2,746
HS girls golf	(77)	1,771	1,633	799	860
HS wrestling	1,408	1,889	4,106	1,572	763
Girls basketball	2,030	3,159	5,797	1,756	1,148
HS boys basketball	2,272	3,450	4,056	(2,456)	(790)
Girls volleyball	320	4,595	2,277	1,088	3,726
Football	1,502	4,053	3,403	1,600	3,752
Girls track	425	1,710	449	597	2,283
HS baseball	2,557	2,103	3,716	(65)	879
HS boys golf	764	1,032	628	701	1,869
Softball	1,527	1,250	412	(132)	2,233
Cross country	1,269	2,877	3,094	1,496	2,548
Weight room	9,164	7,000	-	(9,344)	6,820
Middle school athletics	9,968	2,000	3,897	-	8,071
Athletic uniforms	(2,088)	16,476	11,765	21,347	23,970
Coach's apparel	(340)	1,900	1,700	2,874	2,734
Boys soccer	(235)	2,058	2,498	578	(97)
Girls soccer	430	750	851	742	1,071
Cheerleading fund	5,024	3,020	2,973	(1,667)	3,404
Pep club	650	-	-	(195)	455
Student council	2,863	1,667	845	(2,517)	1,168
JH student council	8,237	6,378	7,400	1,393	8,608
Curtain club	5	-	-	-	5
Peer helper association	4	-	-	-	4
Que pasa	877	-	-	-	877
Spanish trip	2,664	2,295	15,312	12,927	2,574
Class of 2004	920	-	-	(920)	-
Class of 2007	212	-	-	(212)	-
Class of 2010	260	-	-	(260)	-
Class of 2012	2,288	-	-	(2,288)	-
Class of 2013	3,806	-	-	(3,806)	-
Class of 2014	5,192	-	4,380	(812)	-
Class of 2015	1,145	-	793	-	352
Class of 2016	2,297	-	26	(352)	1,919
Class of 2017	1,593	-	387	309	1,515
Class of 2018	680	3,565	5,279	664	(370)
Class of 2019	-	4,338	3,407	716	1,647
Class of 2020	-	677	-	-	677
N.O.W. interest	24,586	1,882	-	(4,534)	21,934

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 9

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2018

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
FFA	\$ 26,988	54,163	47,084	(2,980)	31,087
FCCLA	(2,892)	5,478	1,831	1,922	2,677
FCA	-	100	39	-	61
National honor society	614	1,155	824	467	1,412
Retail marketing	685	-	-	(702)	(17)
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	798	531	391	181	1,119
HS solo & ensemble contest	482	1,831	1,842	31	502
JH solo & ensemble contest	(146)	-	-	-	(146)
Impulse dance club	258	1,423	2,155	663	189
Annual	5,277	2,979	2,643	(784)	4,829
MS annual	149	493	1,617	(868)	(1,843)
HS concessions	1,302	9,214	5,417	(870)	4,229
K-8 concessions	597	-	515	(2,846)	(2,764)
Speech & drama	14,098	2,971	3,252	(573)	13,244
Musical productions	2,557	-	-	(485)	2,072
PSAT testing	85	564	240	-	409
Video yearbook	698	-	-	-	698
8th grade DC trip	16,878	144,972	153,866	2,874	10,858
Total	\$ 189,984	397,795	407,398	-	180,381

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 10

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, cash equivalents and pooled investments	\$ 1,510,155	606,197	2,116,352
Receivables:			
Property tax:			
Delinquent	-	1,412	1,412
Succeeding year	-	378,087	378,087
Due from other governments	69,376	165,222	234,598
Total assets	\$ 1,579,531	1,150,918	2,730,449
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,685	63,619	79,304
Total liabilities	15,685	63,619	79,304
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	378,087	378,087
Other	-	165,222	165,222
Total deferred inflows of resources	-	543,309	543,309
Fund balances:			
Restricted for:			
Debt service	158,911	-	158,911
School infrastructure	1,404,935	-	1,404,935
Physical plant and equipment	-	543,990	543,990
Total fund balances	1,563,846	543,990	2,107,836
Total liabilities, deferred inflows of resources and fund balances	\$ 1,579,531	1,150,918	2,730,449

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

Schedule 11

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Projects Fund Accounts

Year ended June 30, 2018

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	530,306	530,306
Other	13,494	33,272	46,766
State sources	819,275	4,234	823,509
Total revenues	<u>832,769</u>	<u>567,812</u>	<u>1,400,581</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	171,920	171,920
Transportation	69,000	74,367	143,367
Other expenditures:			
Facilities acquisition	399,145	298,434	697,579
Total expenditures	<u>468,145</u>	<u>544,721</u>	<u>1,012,866</u>
Excess of revenues over expenditures	<u>364,624</u>	<u>23,091</u>	<u>387,715</u>
Other financing sources (uses):			
Transfers out	(620,426)	-	(620,426)
Total other financing sources (uses)	<u>(620,426)</u>	<u>-</u>	<u>(620,426)</u>
Special item:			
Sale of real estate	-	179,500	179,500
Total special item	<u>-</u>	<u>179,500</u>	<u>179,500</u>
Change in fund balances	(255,802)	202,591	(53,211)
Fund balances beginning of year	<u>1,819,648</u>	<u>341,399</u>	<u>2,161,047</u>
Fund balances end of year	<u>\$ 1,563,846</u>	<u>543,990</u>	<u>2,107,836</u>

See accompanying independent auditor's report.

Garner-Hayfield-Ventura Community School District

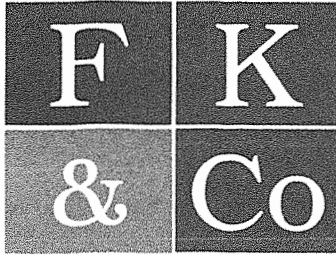
Schedule 12

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

Year Ended June 30, 2018

	Modified Accrual Basis		
	2018	2017	2016
Revenues:			
Local sources:			
Local tax	\$ 5,612,739	5,288,246	5,199,577
Tuition	1,444,501	1,472,619	1,377,833
Other	578,569	671,705	572,427
State sources	5,287,896	5,739,857	6,361,257
Federal sources	382,915	370,812	532,883
Total	\$ 13,306,620	13,543,239	14,043,977
Expenditures:			
Instruction:			
Regular	\$ 5,177,972	5,149,961	5,475,210
Special	1,365,734	1,354,185	1,416,922
Other	2,020,197	2,090,599	1,984,456
Support services:			
Student	484,704	479,557	487,530
Instructional staff	454,713	716,537	615,346
Administration	1,329,624	1,337,597	1,340,026
Operation and maintenance of plant	1,163,092	1,175,767	1,178,067
Transportation	553,476	583,345	487,993
Non-instructional programs	2,263	2,433	2,395
Other expenditures:			
Facilities acquisition	697,579	4,879,159	3,378,274
Long-term debt:			
Principal	430,000	485,000	65,000
Interest and other charges	192,685	202,820	132,991
AEA flowthrough	429,792	424,717	440,525
Total	\$ 14,301,831	18,881,677	17,004,735

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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
Garner-Hayfield-Ventura Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Garner-Hayfield-Ventura Community School District (District) as of and for the year ended June 30, 2018, and the related Notes to Financial Statements. Those statements along with the unaudited financial statements of the discretely presented component units as of and for the year ended June 30, 2018, collectively comprise the District's financial statements, as listed in the table of contents, and we have issued our report thereon dated February 20, 2019.

Internal Control Over Financial Reporting

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

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

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 deficiencies described in the accompanying Schedule of Findings as items (A), (B), (C), (F), (G) and (H) to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

Compliance and Other Matters

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

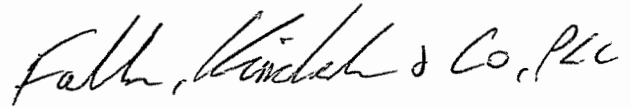
The District's Responses to Findings

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

Purpose of this Report

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

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



Faller, Kincheloe & Co., PLC

February 20, 2019

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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 Garner-Hayfield-Ventura Community School District (District) financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Cash – initiating cash disbursement transactions and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – recording, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.
- (12) Journal entries – writing, approving and posting.

Cause – The District has a limited number of individuals 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 – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

Response – The District will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

(B) Preparation of Full Disclosure Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the District. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that District officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion – Response acknowledged.

(C) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Material adjustments were made to assets, liabilities, revenues and expenditures balances and accounts as of June 30, 2018 and for the fiscal year ended June 30, 2018.

Cause – District policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of District policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

Recommendation – The District should establish procedures to ensure all transactions are properly recorded and reported in the District’s financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

(D) Fixed Assets

Criteria – The District controls over fixed asset accountability are in need of improvement.

Condition - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person.

Cause - District policies do not require and procedures have not been established to ensure verification of fixed assets by an independent person.

Effect – Lack of performing a physical verification of fixed assets by an independent person could result in undetected errors or unauthorized activity.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets.

Response – We will review this situation.

Conclusion – Response acknowledged.

(E) Receipts

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District’s financial statements.

Condition – Receipts are not deposited timely by the District. For example, nutrition receipts are normally deposited to the bank approximately two times per week.

Cause – District policies do not require and procedures have not been established to ensure all receipts are deposited timely.

Effect – Lack of District policies and procedures resulted in District employees not depositing timely.

Recommendation – The District should establish procedures to ensure all receipts are deposited timely.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

(F) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts.

Condition – Monthly reconciliation of the District's balances to the bank accounts are not being consistently performed for one bank account.

Cause – Policies have not been established and procedures have not been implemented to prepare bank reconciliations are being consistently performed for all bank accounts.

Effect – Lack of bank reconciliations could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The District should implement procedures to ensure all bank accounts are reconciled on a timely basis.

Response – We will implement this recommendation.

Conclusion – Response accepted.

(G) Athletic Event Admission Fees

Criteria – The District's controls over cash being received for admission to the various athletic events throughout the year need improvements.

Condition - Pre-numbered admission tickets were not consistently issued for athletic events. As a result, there is less assurance that all cash collected for these events are accounted for properly.

Cause - District policies do not require and procedures have not been established to ensure pre-numbered admission tickets are used for all athletic events.

Effect – Lack of the use of pre-numbered admission tickets could result in undetected errors and unauthorized activity.

Recommendation – The District should issue pre-numbered admission tickets for athletic events. The District should then reconcile the dollar value of pre-numbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

(H) Fundraisers

Criteria – An effective internal control provides that all activity fund receipts are accounted for properly.

Condition - For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

Cause - District policies do not require and procedures have not been established to ensure there are procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Effect – Lack of a fundraiser reconciliation could result in undetected errors and unauthorized activity.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2018 exceeded the certified budget amounts in the instruction and the other expenditures functions.

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 – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response acknowledged.

- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No expenditures of Garner-Hayfield-Ventura Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- (4) Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Pamela Roberts, Board Member Spouse owns Northside Auto	Vehicle service	\$ 144

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Ms. Roberts does not appear to represent a conflict of interest.

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

- (6) Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

An instance was noted where the minutes from a board meeting were not published. Chapter 279.35 of the Code of Iowa requires that all board minutes be published within two weeks of the board meeting, and that the schedule of bills allowed be published as required by the above Code section.

Recommendation – We recommend that the Board meeting minutes and the related schedule of bills allowed be published within two weeks of the Board meeting as required per the Code of Iowa.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District’s investment policy were noted.
- (10) Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- (11) Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$1,819,648
Revenues/transfers in:		
Other local revenues	\$ 13,494	
Sales tax revenues	<u>819,275</u>	<u>832,769</u>
		2,652,417
Expenditures/transfers out:		
School infrastructure construction	286,858	
Equipment	181,287	
Transfers to other funds:		
Debt service fund	<u>620,426</u>	<u>1,088,571</u>
Ending balance		<u><u>\$1,563,846</u></u>

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

- (13) Revenue Bonds – The District did not make the required monthly transfers from the revenue account to the sinking account as required by the bond resolutions.

Recommendation – The District should make the monthly transfers to the sinking account as required by the bond resolutions.

Response – We will begin making transfers to a sinking account.

Conclusion – Response acknowledged.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

- (14) Financial Condition – As noted on the Statement of Net Position, the Governmental Activities had a deficit unrestricted net position of \$8,185,251 and the Business Type Activities had a deficit unrestricted net position of \$87,211 at June 30, 2018. The General Fund had a deficit fund balance of \$78,599 at June 30, 2018. In addition, the Enterprise, School Nutrition Fund, the Enterprise, Before and After School Fund and the Enterprise, Preschool Fund had deficit unrestricted net positions of \$264,890, \$8,333 and \$11,354 respectively, at June 30, 2018. In addition, several student activity accounts had negative balances as of June 30, 2018.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition. Procedures should be implemented to ensure all student activity accounts have a positive balance.

Response – The District will try to decrease expenditures and increase revenues of the Governmental Activities, the Business Type Activities, the General Fund and all of the Enterprise Funds in order to not show deficit balances at year-end. We are also working to ensure all the student activity accounts are positive.

Conclusion – Response acknowledged.

- (15) Interfund Loans – The Iowa Department of Education issued a Declaratory Order (Order) dated October 22, 2009 outlining requirements for interfund loans. During the current and prior fiscal year, the District made loans between various funds. The District did not comply with the Order's requirements, as follows:

- The interfund loans were not always formally approved by the Board.
- A provision for interest was not included in the resolution authorizing the interfund loans.
- The loans were not repaid by October 1 of the fiscal year following the fiscal year in which the loan occurred. For loans unable to be repaid, the District did not follow the remedies available under Chapter 74, 278.1(5) or 24.22 of the Code of Iowa.

Recommendation – The District should comply with the requirements for existing and future interfund loans.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

- (16) Open Enrollment Billing Controls – During our review, we identified over \$11,000 overpaid or underbilled to other School Districts for open enrollment out and open enrollment in tuition.

Recommendation – The District should implement procedures to ensure other School Districts are not overpaid for open enrollment out tuition, and that all tuition is appropriately billed for open enrollment in tuition.

Response – This instance was an oversight on our part. We will do a better job in the future in relation to the above.

Conclusion – Response acknowledged.

Garner-Hayfield-Ventura Community School District

Schedule of Findings

Year ended June 30, 2018

- (17) Early Retirement – The District offered an early retirement option during fiscal year 2016 effective for the 2016-2017 year. The early retirement option approved by the board provided a \$10,000 benefit. However, the board policy indicates that the maximum benefit under the early retirement option is \$2,500. This appears inconsistent.

In addition, the District is currently reimbursing individuals directly for health insurance premium costs, with no applicable taxes withheld and no reporting to the Internal Revenue Service of this additional compensation. Reimbursement of health insurance premium costs to retired employees may violate the U.S. Government Affordable Care Act (ACA) and provisions of the Internal Revenue Code.

Recommendation – The District should ensure the early retirement benefits offered are consistent with the Board policy. In addition, the District should ensure compliance with the ACA and the Internal Revenue Code.

Response – We will review this recommendation and implement accordingly.

Conclusion – Response acknowledged.

- (18) Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Several accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation – The District should review the propriety of all of the accounts in the Special Revenue, Student Activity Fund, and determine which accounts meet the Iowa Department of Education requirements to be included in the Special Revenue, Student Activity Fund. All accounts which do not meet the requirements to be included in the Special Revenue, Student Activity Fund should be recorded in another appropriate fund.

Response – We will review this area and make changes as appropriate.

Conclusion – Response acknowledged.