

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

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ALLAMAKEE COMMUNITY SCHOOL DISTRICT

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|--|---------------------|
| Board of Education | | |
| Allan Rissman | President | 2021 |
| Patty Nordheim | Vice President | 2019 |
| Thomas Baxter | Board Member | 2019 |
| Scott Melcher | Board Member | 2021 |
| Tim Waters | Board Member | 2019 |
| School Officials | | |
| Dave Herold | Superintendent | Indefinite |
| Jaime Curtin | District Secretary/Treasurer and Business Manager | Indefinite |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Allamakee 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 Allamakee Community School District, Waukon, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund

and the aggregate remaining fund information of Allamakee Community School District as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 11 through 19 and 53 through 58 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 Allamakee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2016 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2018 on our consideration of Allamakee Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to

provide an opinion on the effectiveness of 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 Allamakee Community School District's internal control over financial reporting and compliance.

Community CPA

Community CPA & Associates, Inc
January 15, 2018

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Allamakee Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- While General Fund revenues decreased marginally from \$12,323,789 in fiscal year 2016 to \$12,319,027 in fiscal year 2017, General Fund expenditures increased from \$12,197,641 in fiscal year 2016 to \$12,565,378 in fiscal year 2017. Consequently, the District's General Fund balance fell from \$6,160,470 at June 30, 2016 to \$5,914,119 at June 30, 2017.
- The increase in General Fund expenditures was mainly the result of significant increases in the regular and special instructions expenditures.

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

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund and the Sports Camps 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 and Agency Funds, as follows:

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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. There is no activity in this fund during the year ended June 30, 2017.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016.

**FIGURE A-1
CONDENSED STATEMENT OF NET POSITION**

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change 2016-2017 |
|----------------------------------|-------------------------|------------|--------------------------|---------|----------------|------------|---------------------------|
| | June 30, | | June 30, | | June 30, | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Current and other assets | \$ 18,025,769 | 17,052,367 | 743,349 | 750,688 | 18,769,118 | 17,803,055 | 5.43% |
| Capital assets | 15,181,475 | 14,941,085 | 147,950 | 169,704 | 15,329,425 | 15,110,789 | 1.45% |
| Total assets | 33,207,244 | 31,993,452 | 891,299 | 920,392 | 34,098,543 | 32,913,844 | 3.60% |
| Deferred outflows of resources | 1,731,610 | 945,523 | 62,232 | 33,981 | 1,793,842 | 979,504 | 83.14% |
| Long-term liabilities | 12,341,451 | 11,640,274 | 256,990 | 211,173 | 12,598,441 | 11,851,447 | 6.30% |
| Other liabilities | 1,748,624 | 1,395,213 | 28,432 | 25,490 | 1,777,056 | 1,420,703 | 25.08% |
| Total liabilities | 14,090,075 | 13,035,487 | 285,422 | 236,663 | 14,375,497 | 13,272,150 | 8.31% |
| Deferred inflows of resources | 5,398,146 | 5,199,621 | - | 10,561 | 5,398,146 | 5,210,182 | 3.61% |
| Net Position: | | | | | | | |
| Net investment in capital assets | 9,626,475 | 8,371,085 | 147,950 | 169,704 | 9,774,425 | 8,540,789 | 14.44% |
| Restricted | 5,242,407 | 5,133,552 | - | - | 5,242,407 | 5,133,552 | 2.12% |
| Unrestricted | 581,751 | 1,199,230 | 520,159 | 537,445 | 1,101,910 | 1,736,675 | -36.55% |
| Total net position | \$ 15,450,633 | 14,703,867 | 668,109 | 707,149 | 16,118,742 | 15,411,016 | 4.59% |

The District's combined net position increased by 4.59%, or \$707,726, on prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, 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 subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 2.12% or \$108,855 over prior year. The increase was primarily a result of increase in restricted fund balances for physical plant and equipment and funds restricted for management levy purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$634,765 or 36.55%. This decrease is primarily as a result of increases in the District's net OPEB liability and net pension liability adjustments required by GASB Statement No. 68 during the year.

Figure A-2 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

**FIGURE A-2
CHANGE IN NET POSITION**

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change 2016-2017 |
|---|-------------------------|------------|--------------------------|---------|----------------|------------|---------------------------|
| | June 30, | | June 30, | | June 30, | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 736,610 | 762,557 | 374,120 | 373,200 | 1,110,730 | 1,135,757 | -2.20% |
| Operating grants, contributions and restricted interest | 2,764,075 | 2,674,575 | 400,612 | 420,207 | 3,164,687 | 3,094,782 | 2.26% |
| General Revenues: | | | | | | | |
| Property tax | 4,778,983 | 4,740,640 | - | - | 4,778,983 | 4,740,640 | 0.81% |
| Income surtax | 464,263 | 475,025 | - | - | 464,263 | 475,025 | -2.27% |
| Statewide sales, services and use tax | 1,176,079 | 999,500 | - | - | 1,176,079 | 999,500 | 17.67% |
| Unrestricted state grants | 4,837,258 | 4,793,610 | - | - | 4,837,258 | 4,793,610 | 0.91% |
| Unrestricted investment earnings | 58,191 | 52,735 | 3,267 | 3,092 | 61,458 | 55,827 | 10.09% |
| Other general revenues | 167,492 | 469,480 | 43,469 | 59,375 | 210,961 | 528,855 | -60.11% |
| Total Revenues: | 14,982,951 | 14,968,122 | 821,468 | 855,874 | 15,804,419 | 15,823,996 | -0.12% |
| Program Expenses | | | | | | | |
| Instruction | 8,360,363 | 7,879,812 | 46,551 | - | 8,406,914 | 7,879,812 | 6.69% |
| Support services | 4,572,283 | 4,438,789 | 46,124 | - | 4,618,407 | 4,438,789 | 4.05% |
| Non-instruction program | 2,413 | 2,781 | 767,833 | 856,444 | 770,246 | 859,225 | -10.36% |
| Other expenses | 1,301,126 | 1,458,284 | - | - | 1,301,126 | 1,458,284 | -10.78% |
| Total expenses | 14,236,185 | 13,779,666 | 860,508 | 856,444 | 15,096,693 | 14,636,110 | 3.15% |
| Change in net position | 746,766 | 1,188,456 | (39,040) | (570) | 707,726 | 1,187,886 | -40.42% |
| Net position beginning of year | 14,703,867 | 13,515,411 | 707,149 | 707,719 | 15,411,016 | 14,223,130 | 8.35% |
| Net position end of year | \$ 15,450,633 | 14,703,867 | 668,109 | 707,149 | 16,118,742 | 15,411,016 | 4.59% |

In fiscal year 2017, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 75.13% of governmental activities revenues while charges for service and operating grants and contributions accounted for 94.31% of business type activities revenues.

The District's total revenues were \$15,804,419 of which \$14,982,951 was for governmental activities and \$821,468 was for business type activities.

As shown in Figure A-2, the District as a whole experienced 0.12% fall in revenues and 3.15% increase in expenses. The increase in expenses is primarily related to increases in instruction and support service expenses.

Governmental Activities

Revenues for governmental activities were \$14,982,951 and expenses were \$14,236,185 for the year ended June 30, 2017.

The following table Figure A-3 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, 2017 compared to those expenses for the year ended June 30, 2016.

**FIGURE A-3
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

| | Total Cost of Services | | | Net Cost of Services | | |
|--------------------------|------------------------|------------|---------------------|----------------------|------------|---------------------|
| | 2017 | 2016 | Change 2016-2017 | 2017 | 2016 | Change 2016-2017 |
| Instruction | \$ 8,360,363 | 7,879,812 | 6.10% | 5,450,074 | 5,047,113 | 7.98% |
| Support services | 4,572,283 | 4,438,789 | 3.01% | 4,476,619 | 4,336,358 | 3.23% |
| Non-instruction programs | 2,413 | 2,781 | -13.23% | 2,413 | 2,781 | -13.23% |
| Other expenses | 1,301,126 | 1,458,284 | -10.78% | 806,394 | 956,282 | -15.67% |
| Totals | \$ 14,236,185 | 13,779,666 | 3.31% | 10,735,500 | 10,342,534 | 3.80% |

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$736,610.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$2,764,075.
- The net cost of governmental activities was financed with \$4,778,983 in property tax, \$464,263 in income surtax, \$1,176,079 in statewide sales, services and use tax, \$4,837,258 in unrestricted state grants, \$58,191 in unrestricted investment earnings and \$167,492 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities for the year ended June 30, 2017 were \$821,468 and expenses were \$860,508. The District’s business type activities include the School Nutrition Fund and the Sports Camps Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As of June 30, 2017, the District’s Governmental Fund balance is \$10,594,176, which is 1.08% higher than the balance at June 30, 2016 of \$10,481,475.

Governmental Fund Highlights

- The General Fund balance decreased from \$6,160,470 at June 30, 2016 to \$5,914,119 as of June 30, 2017 reflecting disproportionate changes in expenses compared to revenues. While there was a marginal decrease in revenues from \$12,323,789 for the year ended June 30, 2016, to \$12,319,027 for the year ended June 30, 2017, expenditures increased from \$12,197,641 for the year ended June 30, 2016 to \$12,565,378 mainly due to higher instruction expenditures.
- The Capital Projects Fund balance increased from \$3,517,171 at June 30, 2016 to \$3,714,124 at June 30, 2017. The Capital Projects: Statewide Sales, Services and Use Tax account balance decreased from \$2,583,560 at June 30, 2016 to \$2,431,490 at June 30, 2017 due to increased capital outlay to improve facilities. The Capital Projects: Physical Plant and Equipment Levy account balance increased from \$933,611 at June 30, 2016 to \$1,282,634 at June 30, 2017 due to more than proportionate fall in expenditures compared to revenues.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$649,645 at June 30, 2016, to \$615,898 at June 30, 2017 representing a decrease of 5.19%. This decrease in net position is primarily a result of less Federal revenues during fiscal year 2017.

The Sports Camps Fund net position decreased from \$57,504 at June 30, 2016 to \$52,211 at June 30, 2017, representing a decrease of 9.20%. This decrease in net position is the combined effect of less revenues against higher supplies expenditures in fiscal year 2017 compared to 2016.

BUDGETARY HIGHLIGHTS

The District's revenues were \$217,293 less than budgeted revenues, a variance of 1.35%. The most significant variance resulted from the District receiving 22.46% less from federal sources than originally anticipated.

Total expenditures were also less than budgeted. 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. The District revised its budget once during the year increasing expenditures from \$16,247,641 to \$17,339,200. However, expenditures in the instruction function still exceeded the budget by \$253,557.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$15,329,425, 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 amount represents a net increase of 1.45% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,557,452.

The original cost of the District's capital assets was approximately \$27,661,675. Governmental funds accounted for approximately \$27,082,499 with the remainder of \$579,176 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in Construction-in-progress and relates mainly to roof repairs in the West Elementary and Middle School and upgrades of HVAC in the Middle School Gymnasium. Total cost incurred at June 30, 2017 on these projects amounted to \$506,918 on a budget estimated at \$1.27 million.

**FIGURE A-4
CAPITAL ASSETS, NET OF DEPRECIATION**

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change 2016-2017 |
|-----------------------------------|-------------------------|------------|--------------------------|---------|----------------|------------|---------------------------|
| | June 30, | | June 30, | | June 30, | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Land | \$ 451,885 | 451,885 | - | - | 451,885 | 451,885 | 0.00% |
| Construction in progress | 560,226 | - | - | - | 560,226 | - | 100.00% |
| Buildings | 11,062,423 | 11,363,056 | - | - | 11,062,423 | 11,363,056 | -2.65% |
| Improvements other than Buildings | 544,814 | 490,731 | - | - | 544,814 | 490,731 | 11.02% |
| Machinery and equipment | 2,562,127 | 2,635,413 | 147,950 | 169,704 | 2,710,077 | 2,805,117 | -3.39% |
| Total | \$ 15,181,475 | 14,941,085 | 147,950 | 169,704 | 15,329,425 | 15,110,789 | 1.45% |

Long-Term Debt

At June 30, 2017, the District had \$12,598,441 in general obligation and other long-term debt outstanding. This represents an increase of 6.30% from last year. (See Figure A-5) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bond indebtedness at June 30, 2016 of \$6,105,000 payable from the Debt Service Fund, \$550,000 of which was paid during fiscal 2017. The outstanding general obligation bonds balance at June 30, 2017 is \$5,555,000, of which \$575,000 is due in less than 1 year.

The District had total outstanding compensated absences payable of \$20,791 at June 30, 2017, payable from the General Fund.

The District had total net pension liability at June 30, 2017 of \$6,369,028. The governmental activities accounted for \$6,144,868 of this total while business type activities accounted for \$224,160.

The District had total net OPEB liability at June 30, 2017 of \$653,622. The governmental activities accounted for \$620,792 of this total while business type activities accounted for \$32,830.

**FIGURE A-5
OUTSTANDING LONG-TERM OBLIGATION**

| | Governmental Activities | | Business Type | | Total District | | Total Change 2016-2017 |
|--------------------------|-------------------------|------------|---------------|---------|----------------|------------|---------------------------|
| | June 30, | | Activities | | June 30, | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| General Obligation bonds | \$ 5,555,000 | 6,105,000 | - | - | 5,555,000 | 6,105,000 | -9.01% |
| Compensated absences | 20,791 | 20,145 | - | - | 20,791 | 20,145 | 3.21% |
| Net pension liability | 6,144,868 | 4,945,927 | 224,160 | 181,071 | 6,369,028 | 5,126,998 | 24.23% |
| Net OPEB liability | 620,792 | 569,202 | 32,830 | 30,102 | 653,622 | 599,304 | 9.06% |
| Total | \$ 12,341,451 | 11,640,274 | 256,990 | 211,173 | 12,598,441 | 11,851,447 | 6.30% |

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 which could significantly affect its financial health in the future:

- The District continues to be in good financial health. A solid foundation of cash balances and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside the Board's control such as increase in health insurance and utility costs are worrisome and employee contract settlement will also have an effect on the District's financial viability.
- Secure an Advanced Vision for Education (SAVE) / Local Option / Statewide Sales and Services Tax funds continue to be utilized to offset the District's tax levy with \$500,000 per year pledged to be utilized for District debt.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, that a new bus will be acquired together with two SUVs during fiscal year 2018. To pay for this, the District will use resources from the Capital Projects fund.
- One of the key elements of the State of Iowa school aid formula is certified enrollment. Enrollment has decreased by 99.88 during the last 5 years. When enrollment drops, it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.

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 Jaime Curtin, District Secretary/Treasurer and Business Manager, Allamakee Community School District, 1059 – Third Avenue, N.W., Waukon, IA 52172.

BASIC FINANCIAL STATEMENTS

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 11,908,924 | 682,119 | 12,591,043 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 45,282 | - | 45,282 |
| Succeeding year | 5,060,617 | - | 5,060,617 |
| Income surtax | 457,809 | - | 457,809 |
| Accounts | 15,837 | 386 | 16,223 |
| Prepaid expenses | 974 | - | 974 |
| Due from other governments | 536,326 | 25,652 | 561,978 |
| Inventories | - | 35,192 | 35,192 |
| Capital assets, net of accumulated depreciation/amortization | 15,181,475 | 147,950 | 15,329,425 |
| Total assets | 33,207,244 | 891,299 | 34,098,543 |
| Deferred Outflows of Resources | | | |
| Pension related deferred outflows | 1,731,610 | 62,232 | 1,793,842 |
| Liabilities | | | |
| Accounts payable | 409,507 | 2,232 | 411,739 |
| Salaries and benefits payable | 1,147,331 | 12,337 | 1,159,668 |
| Accrued interest payable | 8,833 | - | 8,833 |
| Due to other governments | 182,953 | 26 | 182,979 |
| Unearned revenue | - | 13,837 | 13,837 |
| Long-term liabilities: | | | |
| Portion due after on year: | | | |
| General obligation bonds | 575,000 | - | 575,000 |
| Compensated absences | 20,791 | - | 20,791 |
| Portion due after on year: | | | |
| General obligation bonds | 4,980,000 | - | 4,980,000 |
| Net pension liability | 6,144,868 | 224,160 | 6,369,028 |
| Net OPEB liability | 620,792 | 32,830 | 653,622 |
| Total liabilities | 14,090,075 | 285,422 | 14,375,497 |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenue | 5,060,619 | - | 5,060,619 |
| Pension related deferred inflows | 164,153 | - | 164,153 |
| Miscellaneous | 173,374 | - | 173,374 |
| Total deferred inflows of resources | 5,398,146 | - | 5,398,146 |
| Net Position | | | |
| Net investment in capital assets | 9,626,475 | 147,950 | 9,774,425 |
| Restricted for: | | | |
| Categorical funding | 571,183 | - | 571,183 |
| Debt service | 13,787 | - | 13,787 |
| School infrastructure | 2,431,490 | - | 2,431,490 |
| Management levy purposes | 786,843 | - | 786,843 |
| Student activities | 156,470 | - | 156,470 |
| Physical plant and equipment | 1,282,634 | - | 1,282,634 |
| Unrestricted | 581,751 | 520,159 | 1,101,910 |
| Total net position | \$ 15,450,633 | 668,109 | 16,118,742 |

See notes to financial statements

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|------------------------|---|--|-----------------------------|---------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | \$ 5,785,222 | 312,407 | 1,211,730 | (4,261,085) | - | (4,261,085) |
| Special instruction | 1,774,269 | 88,673 | 516,164 | (1,169,432) | - | (1,169,432) |
| Other instruction | 800,872 | 319,939 | 461,376 | (19,557) | - | (19,557) |
| | <u>8,360,363</u> | <u>721,019</u> | <u>2,189,270</u> | <u>(5,450,074)</u> | <u>-</u> | <u>(5,450,074)</u> |
| Support services: | | | | | | |
| Student | 584,810 | - | 5,342 | (579,468) | - | (579,468) |
| Instructional staff | 561,272 | - | - | (561,272) | - | (561,272) |
| Administration | 1,399,314 | - | - | (1,399,314) | - | (1,399,314) |
| Operation and maintenance of plant | 1,092,001 | - | - | (1,092,001) | - | (1,092,001) |
| Transportation | 934,886 | 15,591 | 74,731 | (844,564) | - | (844,564) |
| | <u>4,572,283</u> | <u>15,591</u> | <u>80,073</u> | <u>(4,476,619)</u> | <u>-</u> | <u>(4,476,619)</u> |
| Non-instructional programs | | | | | | |
| Food service operations | 2,413 | - | - | (2,413) | - | (2,413) |
| Other expenditures: | | | | | | |
| Long-term debt interest and fiscal charges | 97,161 | - | - | (97,161) | - | (97,161) |
| AEA flowthrough | 494,732 | - | 494,732 | - | - | - |
| Depreciation/amortization (unallocated)* | 709,233 | - | - | (709,233) | - | (709,233) |
| | <u>1,301,126</u> | <u>-</u> | <u>494,732</u> | <u>(806,394)</u> | <u>-</u> | <u>(806,394)</u> |
| Total governmental activities | <u>14,236,185</u> | <u>736,610</u> | <u>2,764,075</u> | <u>(10,735,500)</u> | <u>-</u> | <u>(10,735,500)</u> |
| Business type activities: | | | | | | |
| Food service operations | 813,957 | 374,120 | 400,612 | - | (39,225) | (39,225) |
| Sports camps | 46,551 | - | - | - | (46,551) | (46,551) |
| Total business type activities | <u>860,508</u> | <u>374,120</u> | <u>400,612</u> | <u>-</u> | <u>(85,776)</u> | <u>(85,776)</u> |
| Total Primary Government | <u>\$ 15,096,693</u> | <u>1,110,730</u> | <u>3,164,687</u> | <u>(10,735,500)</u> | <u>(85,776)</u> | <u>(10,821,276)</u> |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 4,465,922 | - | 4,465,922 |
| Capital outlay | | | | 158,206 | - | 158,206 |
| Debt service | | | | 154,855 | - | 154,855 |
| Income surtax | | | | 464,263 | - | 464,263 |
| Statewide sales, services and use tax | | | | 1,176,079 | - | 1,176,079 |
| Unrestricted state grants | | | | 4,837,258 | - | 4,837,258 |
| Unrestricted investment earnings | | | | 58,191 | 3,267 | 61,458 |
| Miscellaneous revenues | | | | 167,492 | 43,469 | 210,961 |
| Total General Revenue | | | | <u>11,482,266</u> | <u>46,736</u> | <u>11,529,002</u> |
| Change in net position | | | | 746,766 | (39,040) | 707,726 |
| Net position beginning of year | | | | <u>14,703,867</u> | <u>707,149</u> | <u>15,411,016</u> |
| Net position end of year | | | | <u>\$ 15,450,633</u> | <u>668,109</u> | <u>16,118,742</u> |

* This amount excluded the depreciation/amortization included in the direct expenses of the various programs.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|---|----------------------|---------------------|----------------|------------------|-------------------|
| Assets | | | | | |
| Cash, cash equivalents and pooled investments | \$ 6,996,679 | 3,950,513 | 21,106 | 940,626 | 11,908,924 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 37,862 | 2,554 | 1,508 | 3,358 | 45,282 |
| Succeeding year | 4,285,376 | 279,746 | 170,496 | 324,999 | 5,060,617 |
| Income surtax | - | 457,809 | - | - | 457,809 |
| Accounts | 7,441 | 8,396 | - | - | 15,837 |
| Prepaid Expenses | 974 | - | - | - | 974 |
| Due from other governments | 445,877 | 90,390 | 8 | 51 | 536,326 |
| Total assets | 11,774,209 | 4,789,408 | 193,118 | 1,269,034 | 18,025,769 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 71,090 | 337,729 | - | 688 | 409,507 |
| Salaries and benefits payable | 1,147,331 | - | - | - | 1,147,331 |
| Due to other governments | 182,919 | - | - | 34 | 182,953 |
| Total liabilities | 1,401,340 | 337,729 | - | 722 | 1,739,791 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 4,285,376 | 279,746 | 170,498 | 324,999 | 5,060,619 |
| Income Surtax | - | 457,809 | - | - | 457,809 |
| Miscellaneous | 173,374 | - | - | - | 173,374 |
| Total deferred inflows of resources | 4,458,750 | 737,555 | 170,498 | 324,999 | 5,691,802 |
| Fund balances: | | | | | |
| Nonspendable prepaid items | 975 | - | - | - | 975 |
| Restricted for: | | | | | |
| Categorical funding | 576,258 | - | - | - | 576,258 |
| Debt service | - | - | 22,620 | - | 22,620 |
| School infrastructure | - | 2,431,490 | - | - | 2,431,490 |
| Management levy purposes | - | - | - | 786,843 | 786,843 |
| Student activities | - | - | - | 156,470 | 156,470 |
| Physical plant and equipment | - | 1,282,634 | - | - | 1,282,634 |
| Unassigned | 5,336,886 | - | - | - | 5,336,886 |
| Total fund balances | 5,914,119 | 3,714,124 | 22,620 | 943,313 | 10,594,176 |
| Total liabilities, Deferred Inflows of Resources and Fund Balances | \$ 11,774,209 | 4,789,408 | 193,118 | 1,269,034 | 18,025,769 |

See notes to financial statements

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

| | | |
|--|-------------|-----------------------------|
| Total fund balances of governmental funds (Exhibit C) | | \$ 10,594,176 |
| <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. | | 15,181,475 |
| Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds | | 457,809 |
| 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 | | (8,833) |
| Pension 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 | 1,731,610 | |
| Deferred inflows of resources | (164,153) | 1,567,457 |
| | | |
| Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds. | | |
| General obligation | (5,555,000) | |
| Compensated absences | (20,791) | |
| Net pension liability | (6,144,868) | |
| Other postemployment benefits | (620,792) | (12,341,451) |
| | | |
| Net position of governmental activities (Exhibit A) | | <u>\$ 15,450,633</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|---------------------------------------|--------------|---------------------|--------------|----------|------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 3,956,083 | 732,797 | 157,044 | 350,901 | 5,196,825 |
| Tuition | 341,945 | - | - | - | 341,945 |
| Other | 364,544 | 32,331 | 227 | 304,915 | 702,017 |
| State sources | 6,806,167 | 1,179,568 | 2,061 | 4,818 | 7,992,614 |
| Federal sources | 850,288 | - | - | - | 850,288 |
| Total revenues | 12,319,027 | 1,944,696 | 159,332 | 660,634 | 15,083,689 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 5,543,676 | 17,460 | - | 55,729 | 5,616,865 |
| Special | 1,774,269 | - | - | - | 1,774,269 |
| Other | 541,889 | - | - | 258,983 | 800,872 |
| | 7,859,834 | 17,460 | - | 314,712 | 8,192,006 |
| Support services: | | | | | |
| Student | 581,593 | - | - | 3,217 | 584,810 |
| Instructional staff | 508,336 | 50,524 | - | 2,412 | 561,272 |
| Administration | 1,283,245 | - | 500 | 10,848 | 1,294,593 |
| Operation and maintenance of plant | 1,087,935 | 12,047 | - | 117,824 | 1,217,806 |
| Transportation | 749,703 | 170,606 | - | 49,947 | 970,256 |
| | 4,210,812 | 233,177 | 500 | 184,248 | 4,628,737 |
| Non-instructional programs: | | | | | |
| Food service operations | - | - | - | 2,413 | 2,413 |
| Other expenditures: | | | | | |
| Capital outlay | - | 997,106 | - | - | 997,106 |
| Long-Term Debt | | | | | |
| Principal | - | - | 550,000 | - | 550,000 |
| Interest and fiscal charges | - | - | 105,994 | - | 105,994 |
| AEA flowthrough | 494,732 | - | - | - | 494,732 |
| | 494,732 | 997,106 | 655,994 | - | 2,147,832 |
| Total expenditures | 12,565,378 | 1,247,743 | 656,494 | 501,373 | 14,970,988 |
| Excess of revenues under expenditures | (246,351) | 696,953 | (497,162) | 159,261 | 112,701 |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | 500,000 | - | 500,000 |
| Transfers out | - | (500,000) | - | - | (500,000) |
| | - | (500,000) | 500,000 | - | - |
| Change in fund balances | (246,351) | 196,953 | 2,838 | 159,261 | 112,701 |
| Fund balances beginning of year | 6,160,470 | 3,517,171 | 19,782 | 784,052 | 10,481,475 |
| Fund balances end of year | \$ 5,914,119 | 3,714,124 | 22,620 | 943,313 | 10,594,176 |

See notes to financial statements

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

| | | |
|---|-------------|----------------|
| Change in fund balances - total governmental funds (Exhibit E) | \$ | 112,701 |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. | | |
| Capital outlays | 1,843,243 | |
| Net capital assets write off | (82,469) | |
| Depreciation/amortization expense | (1,520,384) | 240,390 |
| Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds | | |
| | | (18,269) |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due | | |
| | | 8,833 |
| 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. | | |
| | | 649,532 |
| 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 | (646) | |
| Pension expense - IPERS | (744,185) | |
| Other postemployment benefits | (51,590) | (796,421) |
| 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 | | |
| | | 550,000 |
| Change in net position of governmental activities (Exhibit B) | \$ | 746,766 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

| | School Nutrition | Sports Camps | Total |
|---|-------------------|---------------|----------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 629,662 | 52,457 | 682,119 |
| Accounts | 386 | - | 386 |
| Due from other governments | 25,652 | - | 25,652 |
| Inventories | 35,192 | - | 35,192 |
| Total current assets | 690,892 | 52,457 | 743,349 |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | 147,950 | - | 147,950 |
| Total assets | 838,842 | 52,457 | 891,299 |
| Deferred Outflows of Resources | | | |
| Pension related deferred outflows | 62,232 | - | 62,232 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 1,986 | 246 | 2,232 |
| Salaries and benefits payable | 12,337 | - | 12,337 |
| Due to other governments | 26 | - | 26 |
| Unearned revenue | 13,837 | - | 13,837 |
| Total current liabilities | 28,186 | 246 | 28,432 |
| Noncurrent liabilities: | | | |
| Net pension liability | 224,160 | - | 224,160 |
| Net OPEB liability | 32,830 | - | 32,830 |
| Total liabilities | 256,990 | - | 256,990 |
| Net Position | | | |
| Net investment in capital assets | 147,950 | - | 147,950 |
| Unrestricted | 467,948 | 52,211 | 520,159 |
| Total net position | \$ 615,898 | 52,211 | 668,109 |

See notes to financial statements

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

| | School Nutrition | Sports Camps | Total |
|------------------------------------|-------------------|----------------|------------------|
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for service | \$ 372,521 | - | 372,521 |
| Other receipts | 4,981 | 40,926 | 45,907 |
| Total operating revenues | <u>377,502</u> | <u>40,926</u> | <u>418,428</u> |
| Operating expenses: | | | |
| Salaries | 252,569 | - | 252,569 |
| Benefits | 97,111 | - | 97,111 |
| Purchased services | 54,116 | 723 | 54,839 |
| Supplies | 360,646 | 45,828 | 406,474 |
| Depreciation | 37,068 | - | 37,068 |
| Other | 10,606 | - | 10,606 |
| Total operating expenses | <u>812,116</u> | <u>46,551</u> | <u>858,667</u> |
| Operating loss | <u>(434,614)</u> | <u>(5,625)</u> | <u>(440,239)</u> |
| Non-operating revenues (expenses): | | | |
| State sources | 5,694 | - | 5,694 |
| Federal sources | 394,918 | - | 394,918 |
| Interest on investments | 2,935 | 332 | 3,267 |
| Loss on asset disposal | (2,680) | - | (2,680) |
| Total non-operating revenues | <u>400,867</u> | <u>332</u> | <u>401,199</u> |
| Change in net position | (33,747) | (5,293) | (39,040) |
| Net position beginning of year | <u>649,645</u> | <u>57,504</u> | <u>707,149</u> |
| Net position end of year | <u>\$ 615,898</u> | <u>52,211</u> | <u>668,109</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

| | School Nutrition | Sports Camps | Total |
|---|------------------|--------------|-----------|
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 374,529 | - | 374,529 |
| Cash received from other | 4,981 | 40,926 | 45,907 |
| Cash paid to employees for services | (342,437) | - | (342,437) |
| Cash paid to suppliers for goods or services | (373,090) | (46,666) | (419,756) |
| Net cash used by operating activities | (336,017) | (5,740) | (341,757) |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 5,694 | - | 5,694 |
| Federal grants received | 338,024 | - | 338,024 |
| Net repayments received from other funds | (1,504) | - | (1,504) |
| Net cash provided by non-capital financing activities | 342,214 | - | 342,214 |
| Cash flow from investing activities: | | | |
| Interest on investments | 2,935 | 332 | 3,267 |
| Cash flow from capital financing activities: | | | |
| Purchase of assets | (16,153) | - | (16,153) |
| Non cash disposal | (1,841) | - | (1,841) |
| Net Increase (decrease) in cash and cash equivalents | (8,862) | (5,408) | (14,270) |
| Cash and cash equivalents beginning of year | 638,524 | 57,865 | 696,389 |
| Cash and cash equivalents end of year | 629,662 | 52,457 | 682,119 |
| Reconciliation of operating loss to net cash used by operating activities: | | | |
| Operating loss | (434,614) | (5,625) | (440,239) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Commodities used | 56,894 | - | 56,894 |
| Depreciation | 37,068 | - | 37,068 |
| Increase in inventories | (6,561) | - | (6,561) |
| Decrease in accounts receivable | 1,160 | - | 1,160 |
| Increase in accounts payable | 1,945 | (115) | 1,830 |
| Increase in salaries and benefits payable | 238 | - | 238 |
| Increase in unearned revenue | 848 | - | 848 |
| Decrease in deferred outflows of resource | (28,251) | - | (28,251) |
| Decrease in deferred inflows of resources | (10,561) | - | (10,561) |
| Increase in other postemployment benefits | 45,817 | - | 45,817 |
| Net cash used by operating activities | \$ (336,017) | (5,740) | (341,757) |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017 the District received \$56,894 of federal commodities

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2017

Assets

| | |
|---------------------------|----------|
| Cash and cash equivalents | \$ 3,909 |
|---------------------------|----------|

Liabilities

| | |
|---------------------------|-----------------|
| Other current liabilities | <u>\$ 3,909</u> |
|---------------------------|-----------------|

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(1) Summary of Significant Accounting Policies

The Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Waukon, Iowa, and the predominate agricultural territory of Allamakee and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Allamakee Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Allamakee and Winneshiek 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 inter-fund 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/amortization 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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, and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

The 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 reports the following non-major proprietary fund:

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

The Enterprise, Sports Camps Fund is used to account for the District-sponsored athletic camps.

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 and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from 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.

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 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 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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

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

Capital Assets – Capital assets, which include property, machinery, equipment, and intangibles 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. 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. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|---------|
| Land | \$ - |
| Buildings | 25,000 |
| Land improvements | 25,000 |
| Intangibles | 100,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 25-50 |
| Land improvements | 20-25 |
| Intangibles | 3-10 |
| Machinery and equipment | 5-20 |

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 expense and contributions from the District after the measurement date but before the end of the District’s reporting period.

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017.

The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund and Enterprise, School Nutrition Fund.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of 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 receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, although total expenditures did not exceed the budget, expenditures in the instruction function still exceeded the budgeted amount by \$253,557. However, the District did not exceed its General Fund unspent authorized budget.

The District revised its budget once during the year increasing expenditures from \$16,247,641 to \$17,339,200.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

During fiscal year 2016, the District used its outstanding investments in U.S. Treasury Securities to pay off general obligation bonds. Investments in U.S. Treasury Securities stated at the fair value at June 30, 2017 are \$0.

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|---------------------------------------|------------|
| Debt Service | Capital Projects: | |
| | Statewide Sales, Services and Use Tax | \$ 500,000 |
| Total | | \$ 500,000 |

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 451,885 | - | - | 451,885 |
| Construction in progress | - | 560,226 | - | 560,226 |
| Total capital assets no being depreciated | 451,885 | 560,226 | - | 1,012,111 |
| <i>Capital assets being depreciated:</i> | | | | |
| Building | 17,717,229 | 391,606 | - | 18,108,835 |
| Improvements other than buildings | 1,527,957 | 27,221 | - | 1,555,178 |
| Machinery and equipment | 6,046,486 | 864,190 | 504,301 | 6,406,375 |
| Total capital assets being depreciated | 25,291,672 | 1,283,017 | 504,301 | 26,070,388 |
| Less accumulated depreciation for: | | | | |
| Building | 6,354,173 | 692,239 | - | 7,046,412 |
| Improvements other than buildings | 1,037,226 | - | 26,862 | 1,010,364 |
| Machinery and equipment | 3,411,073 | 828,145 | 394,970 | 3,844,248 |
| Total capital assets being depreciated, net | 10,802,472 | 1,520,384 | 421,832 | 11,901,024 |
| Governmental activities capital assets, net | 14,941,085 | 322,859 | 82,469 | 15,181,475 |
| BUSINESS TYPE ACTIVITIES | | | | |
| Machinery and equipment | 572,104 | 16,153 | 9,081 | 579,176 |
| Less accumulated depreciation | 402,400 | 37,068 | 8,242 | 431,226 |
| Business type activities capital assets, net | \$ 169,704 | (20,915) | 839 | 147,950 |

Depreciation expense was charged by the District as follows:

Governmental activities:

| | |
|--|-----------------------------|
| Instruction: | |
| Regular | \$ 465,085 |
| Support Services | |
| Administration | 104,721 |
| Operation and maintenance of plant | 54,347 |
| Transportation | <u>186,998</u> |
| Subtotal | 811,151 |
| Unallocated depreciation | <u>709,233</u> |
| Total governmental activities depreciation expense | <u><u>1,520,384</u></u> |
| Business type activities: | |
| Food service operations | <u>\$ 37,068</u> |

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within one Year |
|------------------------------------|---------------------------------|------------------|----------------|------------------------|------------------------|
| GOVERNMENTAL | | | | | |
| General obligation bonds | \$ 6,105,000 | - | 550,000 | 5,555,000 | 575,000 |
| Compensated absences | 20,145 | 20,791 | 20,145 | 20,791 | 20,791 |
| Net Pension liability | 4,945,927 | 1,198,941 | - | 6,144,868 | - |
| Net OPEB liability | 569,202 | 51,590 | - | 620,792 | - |
| Total | <u>11,640,274</u> | <u>1,271,322</u> | <u>570,145</u> | <u>12,341,451</u> | <u>595,791</u> |
| BUSINESS TYPE ACTIVITES | | | | | |
| Net pension liability | 181,071 | 43,089 | - | 224,160 | - |
| Net OPEB liability | 30,102 | 2,728 | - | 32,830 | - |
| Total | <u>\$ 211,173</u> | <u>45,817</u> | <u>-</u> | <u>256,990</u> | <u>-</u> |

General Obligation Bonds

During fiscal year 2017, the District made general obligation bonds principal and interest payments totaling \$655,994.

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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 2017, 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, 2017 totaled \$672,875.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$6,369,028 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 0.102129%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$770,930. At June 30, 2017, 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 | \$ 56,290 | - |
| Changes of assumptions | 97,172 | - |
| Net difference between projected and actual earnings on IPERS' investments | 905,273 | - |
| Changes in proportion and differences between District: Contributions and the District's proportionate share of contributions | - | 164,153 |
| District contributions subsequent to the measurement date | 672,875 | - |
| Total | <u>\$ 1,731,610</u> | <u>164,153</u> |

\$672,875 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, 2018. 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 |
|---------------------|---------------------|
| 2018 | \$ 169,311 |
| 2019 | 169,311 |
| 2020 | 506,157 |
| 2021 | 279,718 |
| 2022 | (2,158) |
| Total | <u>\$ 1,122,339</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00 percent per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00 percent, average, including inflation. vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50 percent, compounded annually, net of investment expense, including inflation |
| Wage growth (effective June 30, 1990) | 4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

| Asset Class | Asset Allocation | Long Term Expected Real Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28% | 1.90% |
| Domestic equity | 24 | 5.85 |
| International equity | 16 | 6.32 |
| Private equity/debt | 11 | 10.31 |
| Real estate | 8 | 3.87 |
| Credit opportunities | 5 | 4.48 |
| U.S. TIPS | 5 | 1.36 |
| Other Real Assets | 2 | 6.42 |
| Cash | 1 | (0.26) |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be

available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|-------------------------|-----------------------|
| District's Proportionate Share of Net Pension Liability | \$ 10,304,226 | 6,369,028 | 3,047,670 |

Pension Plan 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 the Pension Plan - At June 30, 2017, the District reported payables to the defined benefit pension plan of \$78,455 for legally required employer contributions and \$52,581 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

Plan Description - As explained in Note 8, the District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust which provides medical and prescription drug benefits for employees, retirees and their spouses. Allamakee Community School District has 131 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB assets:

| | |
|--|-------------------|
| Annual required contribution | \$ 86,470 |
| Interest on Net OPEB obligation | 14,982 |
| Adjustment to annual required contribution | <u>(37,638)</u> |
| Annual OPEB cost | 63,814 |
| Contributions made | <u>(9,496)</u> |
| Increase in net OPEB obligation | 54,318 |
| Net OPEB obligation at beginning of year | <u>599,304</u> |
| Net OPEB obligation at end of year | <u>\$ 653,622</u> |

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end of year net OPEB asset was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District contributed \$9,496 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB assets are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|------------------------|
| 2013 | \$ 85,726 | 20.91% | 409,940 |
| 2014 | 87,706 | 18.36% | 477,796 |
| 2015 | 73,588 | 13.66% | 538,550 |
| 2016 | 65,459 | 10.92% | 599,304 |
| 2017 | \$ 63,829 | 9.77% | 653,622 |

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$599,891, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$599,891. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,386,072 and the ratio of the UAAL to covered payroll was 9.40%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference School 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents, through a partially self-funded plan.

Each member's contributions to the Trust fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Trust's general and administrative expenses, claims, claims expenses and insurance expenses due and payable in the current years, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust. District contributions to the Trust for the year ended June 30, 2017 were \$1,200,550.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's partially self-funded programs. As of June 30, 2017, settled claims have not exceeded the risk pool or insurance company coverage.

Allamakee Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

(9) 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 \$494,732 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted fund balance for categorical funding as of is comprised of the following program:

| <u>Program</u> | <u>Amount</u> |
|--|-------------------|
| Home school assistance program | \$ (1,994) |
| Gifted and talented programs | 266,657 |
| Teacher salary supplement | 6,159 |
| Four-year-old preschool state aid | 85,578 |
| Successful progression for early readers | 53,849 |
| Professional development for model core curriculum | 76,195 |
| Professional development | 11,845 |
| Market factor incentives | 5,957 |
| Teacher leadership grants | 66,937 |
| Total | \$ 571,183 |

(11) 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. The District did not have any tax abatements during the year ended June 30, 2017.

(12) 28E Agreement and Ground Lease with Northeast Iowa Community Action Corporation

In January 2000, the District entered into a 28E agreement with the North Iowa Community Action Corporation to construct a Family Service Center on the real property owned by the District, financed, constructed and operated by the Northeast Iowa Community Action Corporation for the purpose of jointly providing the facility for use by citizens within county. This agreement shall remain in effect for fifty years. The lease term may be extended at the rental rate set every ten successive year periods.

The Northeast Iowa Community Action Corporation agrees to use the leased property of the District only as a Family Service Center and to provide, preschool education, daycare for children, family and individual counseling, special education, and head-start programs. The corporation pays the District \$10 per year for rent of District grounds.

The District agrees to pay the Northeast Iowa Community Action Corporation rent of \$1,003.94 per month for subleasing of 2,514 square feet of the Family Service Center. The total rental payment over 40 years was calculated at \$85.70 per square foot for an overall cost of \$215,475 at an interest rate of 4.75 percent as amended in July 2001.

These lease expenditures are currently paid by the District out of the Capital Projects: Physical Plant and Equipment Levy Fund.

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

| | Net Investment in Capital Assets | Management Levy | Debt Service | Unassigned/ Unrestricted |
|-----------------------------------|-------------------------------------|--------------------|-----------------|-----------------------------|
| Fund balance (Exhibit C) | \$ - | 786,843 | 22,620 | 5,341,961 |
| Net investment in capital assets | 9,626,475 | - | - | - |
| Accrued interest payable | - | - | (8,833) | - |
| Income surtax | - | - | - | 457,809 |
| Compensated absences | - | - | - | (20,791) |
| Pension related deferred outflows | - | - | - | 1,731,610 |
| Net pension liability | - | - | - | (6,144,868) |
| Pension related deferred inflows | - | - | - | (164,153) |
| Net OPEB liability | - | - | - | (620,792) |
| Nonspendable fund balance | - | - | - | 975 |
| Net position (Exhibit A) | \$ 9,626,475 | 786,843 | 13,787 | 581,751 |

(14) New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the

fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

(16) Subsequent Events

Management has evaluated subsequent events through January 15, 2018, the date the financial statements were available to be issued. There are no material subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUE,
EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

| | Governmental | Proprietary | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|---|-----------------|-----------------|--------------|------------------|-------------|-----------------------------|
| | Funds Actual | Funds Actual | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 6,240,787 | 421,695 | 6,662,482 | 6,756,132 | 6,640,106 | 22,376 |
| State sources | 7,992,614 | 5,694 | 7,998,308 | 7,721,824 | 7,877,326 | 120,982 |
| Federal sources | 850,288 | 394,918 | 1,245,206 | 1,623,159 | 1,605,857 | (360,651) |
| Total revenues | 15,083,689 | 822,307 | 15,905,996 | 16,101,115 | 16,123,289 | (217,293) |
| Expenditures/Expenses: | | | | | | |
| Instruction | 8,192,006 | 46,551 | 8,238,557 | 7,985,000 | 7,985,000 | 253,557 |
| Support services | 4,628,737 | 46,124 | 4,674,861 | 5,506,200 | 5,506,200 | (831,339) |
| Non-instructional programs | 2,413 | 765,992 | 768,405 | 848,000 | 848,000 | (79,595) |
| Other expenditures | 2,147,832 | 2,680 | 2,150,512 | 1,908,441 | 3,000,000 | (849,488) |
| Total expenditures/expenses | 14,970,988 | 861,347 | 15,832,335 | 16,247,641 | 17,339,200 | (1,506,865) |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 112,701 | (39,040) | 73,661 | (146,526) | (1,215,911) | 1,289,572 |
| Fund balances beginning of year | 10,481,475 | 707,149 | 11,188,624 | 17,154,652 | 11,189,132 | (508) |
| Fund balances end of year | \$ 10,594,176 | 668,109 | 11,262,285 | 17,008,126 | 9,973,221 | 1,289,064 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. There was one budget amendment during the year increasing expenditures from \$16,247,641 to \$17,339,200.

Although the District's total expenditures for the year ended June 30, 2017 did not exceed its budget, expenditures in the instruction function still exceeded the budgeted amount by \$253,557. Also, expenditures in the General Fund did not exceed the amount authorized by the school finance formula.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST THREE YEARS *
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

| | 2017 | 2016 | 2015 |
|---|-----------|-----------|-----------|
| District's proportion of the net pension liability | 0.102129% | 0.103129% | 0.104077% |
| District's proportionate share of the net pension liability | \$ 6,369 | 5,127 | 4,212 |
| District's covered-employee payroll | \$ 7,535 | 7,263 | 7,110 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 84.53% | 70.59% | 59.24% |
| IPERS' net position as a percentage of the total pension liability | 81.82% | 85.19% | 87.61% |

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

Note: GASB Statement No. 68 required ten years of information to be presented in this table. However, until a full ten-year trend is compiled the District will present information for those years for which information is available.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE LAST TEN YEARS
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Statutory required contribution | \$ 673 | 649 | 635 | 621 | 570 | 528 | 481 | 463 | 448 | 424 |
| Contributions in relation to the statutory required contributions | (673) | (649) | (635) | (621) | (570) | (528) | (481) | (463) | (448) | (424) |
| Contribution Deficiency (Excess) | - | - | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | \$ 7,535 | 7,263 | 7,110 | 6,954 | 6,574 | 6,543 | 6,921 | 6,662 | 7,055 | 7,008 |
| Contribution as a percentage of covered-employee payroll | 8.93% | 8.94% | 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.95% | 6.35% | 6.05% |

See accompanying independent auditor's report

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

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.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

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

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

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

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a percentage of Covered Payroll (b-a)/c |
|------------------------|-----------------------------|-------------------------------------|---------------------------------------|---------------------------------|-----------------------|------------------------|--|
| 2010 | July 1, 2008 | \$ - | 889,333 | 889,333 | 0.0% | 5,775,000 | 15.40% |
| 2011 | July 1, 2010 | - | 767,054 | 767,054 | 0.0% | 6,160,000 | 12.45% |
| 2012 | July 1, 2010 | - | 726,460 | 726,460 | 0.0% | 5,370,000 | 13.53% |
| 2013 | July 1, 2012 | - | 704,620 | 704,620 | 0.0% | 5,472,000 | 12.88% |
| 2014 | July 1, 2012 | - | 683,473 | 683,473 | 0.0% | 5,600,000 | 12.20% |
| 2015 | July 1, 2014 | - | 661,614 | 661,614 | 0.0% | 6,011,785 | 11.01% |
| 2016 | July 1, 2016 | - | 625,939 | 625,939 | 0.0% | 6,210,089 | 10.08% |
| 2017 | July 1, 2016 | \$ - | 599,891 | 599,891 | 0.0% | 6,386,072 | 9.39% |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Special Revenue | | Total |
|---|-------------------|--------------------|------------------|
| | Student Activity | Management Levy | |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 156,970 | 783,656 | 940,626 |
| Receivables: | | | |
| Property tax, net of allowance: | | | |
| Delinquent | - | 3,358 | 3,358 |
| Succeeding year | - | 324,999 | 324,999 |
| Due from other governments | - | 51 | 51 |
| Total assets | <u>156,970</u> | <u>1,112,064</u> | <u>1,269,034</u> |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | 500 | 188 | 688 |
| Due to other governments | - | 34 | 34 |
| Deferred inflows of resources: | | | |
| Unavailable revenue: | | | |
| Succeeding year property tax | - | 324,999 | 324,999 |
| Fund Balances: | | | |
| Restricted for: | | | |
| Management levy purposes | - | 786,843 | 786,843 |
| Student activities | 156,470 | - | 156,470 |
| Total fund balances | <u>156,470</u> | <u>786,843</u> | <u>943,313</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 156,970</u> | <u>1,112,064</u> | <u>1,269,034</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

| | Special Revenue | | Total |
|------------------------------------|-------------------|--------------------|----------------|
| | Student Activity | Management Levy | |
| Revenue: | | | |
| Local sources: | | | |
| Local tax | \$ - | 350,901 | 350,901 |
| Other | 267,472 | 37,443 | 304,915 |
| State sources | - | 4,818 | 4,818 |
| Total revenues | <u>267,472</u> | <u>393,162</u> | <u>660,634</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | - | 55,729 | 55,729 |
| Other | 258,983 | - | 258,983 |
| Support services: | | | - |
| Student | - | 3,217 | 3,217 |
| Instructional staff | - | 2,412 | 2,412 |
| Administration | - | 10,848 | 10,848 |
| Operation and maintenance of plant | - | 117,824 | 117,824 |
| Transportation | - | 49,947 | 49,947 |
| Non-instructional programs: | | | |
| Food service operations | - | 2,413 | 2,413 |
| Total expenditures | <u>258,983</u> | <u>242,390</u> | <u>501,373</u> |
| Change in fund balances | 8,489 | 150,772 | 159,261 |
| Fund balances beginning of year | <u>147,981</u> | <u>636,071</u> | <u>784,052</u> |
| Fund balances end of year | <u>\$ 156,470</u> | <u>786,843</u> | <u>943,313</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2017

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|---------------|---------------|------------------------|
| Junior High | | | | |
| Drama | 1,549 | 1,073 | 1,031 | 1,591 |
| Boys' athletics | 2,546 | 1,667 | 289 | 3,924 |
| Boy's basketball | 146 | 1,276 | 130 | 1,292 |
| Boy's football | 840 | 3,342 | 3,355 | 827 |
| Boy's track | 639 | 455 | 747 | 347 |
| Boys' cross country | - | 200 | - | 200 |
| Boy's wrestling | 168 | 733 | 433 | 468 |
| Girls' athletics | 2,463 | 1,667 | 339 | 3,791 |
| Girl's basketball | 233 | 1,915 | 1,607 | 541 |
| Girl's volleyball | 179 | 1,726 | 1,669 | 236 |
| Girl's track | 94 | 1,578 | 1,413 | 259 |
| Girls' cross country | - | 200 | - | 200 |
| Annual | 260 | 2,137 | 2,215 | 182 |
| Cheerleaders | 156 | 200 | 176 | 180 |
| Student council | 6,907 | 10,720 | 8,576 | 9,051 |
| Totals - Junior High: | 16,180 | 28,889 | 21,980 | 23,089 |
| High School | | | | |
| Drama | 7,743 | 2,499 | 1,231 | 9,011 |
| Musical | 11,768 | 7,228 | 4,986 | 14,010 |
| Coeducational bowling | - | 5,038 | 2,985 | 2,053 |
| Boys' athletics | 23,749 | 7,864 | 11,553 | 20,060 |
| Boy's basketball | 3,549 | 9,897 | 9,412 | 4,034 |
| Boy's football | 10,210 | 3,460 | 6,631 | 7,039 |
| Boy's baseball | 4,149 | 8,622 | 7,992 | 4,779 |
| Boy's track | 519 | 4,390 | 2,570 | 2,339 |
| Boys' cross country | 1,384 | 5,840 | 3,814 | 3,410 |
| Boy's golf | 1,169 | 1,027 | 735 | 1,461 |
| Boy's wrestling | 5,247 | 6,836 | 8,567 | 3,516 |
| Girls' athletics | 20,418 | 9,720 | 10,522 | 19,616 |
| Girl's basketball | 5,921 | 3,020 | 6,514 | 2,427 |
| Girl's volleyball | 3,893 | 3,860 | 5,116 | 2,637 |
| Girl's softball | 4,141 | 5,462 | 5,503 | 4,100 |
| Girl's track | 1,105 | 4,030 | 2,619 | 2,516 |
| Girls' cross country | 1,366 | 4,264 | 2,457 | 3,173 |

See accompanying independent auditor's report

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|----------------|----------------|------------------------|
| Girl's golf | 1,046 | 1,918 | 1,424 | 1,540 |
| Annual | 275 | 10,436 | 10,271 | 440 |
| Cheerleaders | 2,275 | 8,725 | 9,779 | 1,221 |
| Class of 2016 | 268 | - | 268 | - |
| Class of 2018 | - | 2,000 | 1,298 | 702 |
| Class of 2015 | 188 | - | 188 | - |
| Class of 2017 | 395 | 255 | 650 | - |
| FBLA | 376 | 42,281 | 38,744 | 3,913 |
| FFA | 4,559 | 73,295 | 76,981 | 873 |
| SODA | 702 | - | - | 702 |
| NHS | - | 1,300 | 521 | 779 |
| Student council | 6,790 | 5,316 | 3,556 | 8,550 |
| Spanish club | 8,276 | - | 116 | 8,160 |
| ACSD | 320 | - | - | 320 |
| Totals - High School: | 131,801 | 238,583 | 237,003 | 133,381 |
| Total | \$ 147,981 | 267,472 | 258,983 | 156,470 |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND ACCOUNTS
JUNE 30, 2017

| | Capital Projects | | Total |
|---|---|---|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 2,670,455 | 1,280,058 | 3,950,513 |
| Receivables: | | | |
| Property Tax, Net of Allowance: | | | |
| Delinquent | - | 2,554 | 2,554 |
| Succeeding year | - | 279,746 | 279,746 |
| Accounts receivable | 8,396 | - | 8,396 |
| Income surtax | - | 457,809 | 457,809 |
| Due from other governments | 90,368 | 22 | 90,390 |
| Total assets | <u>2,769,219</u> | <u>2,020,189</u> | <u>4,789,408</u> |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | 337,729 | - | 337,729 |
| Deferred inflows of resources: | | | |
| Unavailable revenue: | | | |
| Succeeding year property tax | - | 279,746 | 279,746 |
| Income surtax | - | 457,809 | 457,809 |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt Service | 2,431,490 | - | 2,431,490 |
| Physical plant and equipment | - | 1,282,634 | 1,282,634 |
| Total fund balances | <u>2,431,490</u> | <u>1,282,634</u> | <u>3,714,124</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,769,219</u> | <u>2,020,189</u> | <u>4,789,408</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Capital Projects | | Total |
|--------------------------------------|---|---|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | 732,797 | 732,797 |
| Other | 25,267 | 7,064 | 32,331 |
| State sources | 1,176,079 | 3,489 | 1,179,568 |
| Total revenues | 1,201,346 | 743,350 | 1,944,696 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | - | 17,460 | 17,460 |
| Support Services: | | | |
| Instructional staff | 31,975 | 18,549 | 50,524 |
| Operation and maintenance of plant | - | 12,047 | 12,047 |
| Transportation | - | 170,606 | 170,606 |
| Other expenditures: | | | |
| Capital outlay | 821,441 | 175,665 | 997,106 |
| Total expenditures | 853,416 | 394,327 | 1,247,743 |
| Excess of revenues over expenditures | 347,930 | 349,023 | 696,953 |
| Other financing (uses): | | | |
| Transfers out | (500,000) | - | (500,000) |
| Change in fund balances | (152,070) | 349,023 | 196,953 |
| Fund balances beginning of year | 2,583,560 | 933,611 | 3,517,171 |
| Fund balances end of year | <u>\$ 2,431,490</u> | <u>1,282,634</u> | <u>3,714,124</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 JUNE 30, 2017

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---------------------------|---------------------------------|--------------|------------|------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ - | <u>3,909</u> | <u>-</u> | <u>3,909</u> |
| Liabilities | | | | |
| Other current liabilities | <u>\$ -</u> | <u>3,909</u> | <u>-</u> | <u>3,909</u> |

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS (MODIFIED ACCRUAL BASIS)
 FOR THE LAST TEN YEARS

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 5,196,825 | 4,762,502 | 5,134,355 | 5,021,715 | 6,558,599 | 6,312,578 | 5,869,330 | 6,022,180 | 5,583,011 | 5,385,131 |
| Tuition | 341,945 | 298,557 | 297,046 | 252,115 | 277,834 | 240,420 | 222,535 | 202,615 | 137,722 | 164,566 |
| Other | 702,017 | 1,362,607 | 777,647 | 702,652 | 862,436 | 1,029,122 | 875,011 | 755,862 | 895,076 | 915,649 |
| State sources | 7,992,614 | 7,454,070 | 7,728,432 | 7,762,288 | 6,673,542 | 6,832,524 | 6,392,328 | 5,638,118 | 6,519,253 | 6,584,505 |
| Federal sources | 850,288 | 1,082,325 | 1,217,151 | 1,377,559 | 1,130,228 | 1,468,677 | 2,002,751 | 1,888,971 | 1,412,940 | 1,351,558 |
| Total | 15,083,689 | 14,960,061 | 15,154,631 | 15,116,329 | 15,502,639 | 15,883,321 | 15,361,955 | 14,507,746 | 14,548,002 | 14,401,409 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | 5,616,865 | 5,171,529 | 5,106,838 | 4,985,507 | 4,691,837 | 4,427,278 | 4,761,936 | 4,707,555 | 5,062,049 | 5,560,725 |
| Special | 1,774,269 | 1,311,411 | 1,371,799 | 1,428,609 | 1,391,743 | 1,442,513 | 1,408,304 | 1,299,932 | 1,330,191 | 1,287,541 |
| Other | 800,872 | 1,416,125 | 1,344,388 | 1,406,792 | 1,535,359 | 1,654,929 | 1,640,046 | 1,681,795 | 1,460,516 | 1,205,521 |
| Support services: | | | | | | | | | | |
| Student | 584,810 | 586,296 | 624,148 | 557,820 | 530,718 | 697,025 | 877,678 | 993,378 | 899,927 | 481,852 |
| Instructional staff | 561,272 | 628,764 | 1,245,479 | 563,299 | 391,473 | 369,471 | 995,567 | 396,466 | 363,287 | 410,966 |
| Administration | 1,294,593 | 1,340,985 | 1,321,207 | 1,332,579 | 1,168,754 | 1,025,815 | 962,961 | 952,085 | 1,072,810 | 1,252,387 |
| Operation and maintenance of plant | 1,217,806 | 1,193,663 | 1,157,609 | 1,168,161 | 1,076,956 | 957,549 | 990,839 | 983,518 | 1,014,977 | 1,049,080 |
| Transportation | 970,256 | 961,167 | 1,092,014 | 1,052,662 | 1,026,896 | 1,027,050 | 934,513 | 1,024,324 | 938,186 | 1,049,910 |
| Noninstructional programs | 2,413 | 2,781 | 2,796 | 3,036 | 2,353 | 1,995 | 1,785 | 1,645 | - | - |
| Other expenditures | | | | | | | | | | |
| Capital outlay | 997,106 | 729,514 | 590,955 | 239,396 | 516,285 | 646,343 | 281,710 | 970,593 | 1,182,695 | 5,561,622 |
| Long-term debt | | | | | | | | | | |
| Principal | 550,000 | 6,315,000 | 445,000 | 425,000 | 1,410,000 | 398,045 | 382,878 | 367,508 | 347,131 | 336,938 |
| Interest and fiscal charges | 105,994 | 343,780 | 389,321 | 448,317 | 316,015 | 331,428 | 345,848 | 359,668 | 372,795 | 385,163 |
| AEA flowthrough | 494,732 | 502,002 | 504,488 | 502,118 | 481,831 | 483,260 | 544,592 | 541,103 | 497,033 | 487,015 |
| Total | \$ 14,970,988 | 20,503,017 | 15,196,042 | 14,113,296 | 14,540,220 | 13,462,701 | 14,128,657 | 14,279,570 | 14,541,597 | 19,068,720 |

See accompanying independent auditor's report

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2017

| Grantor/Program | CFDA Number | Grant Number | Program Expenditures |
|---|-------------|--------------|----------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Pass-through from Iowa Department of Education | | | |
| School Breakfast Program | 10.553 | FY 17 | \$ 62,517 |
| National School Lunch Program | 10.555 | FY 17 | 299,697 * |
| Summer Food Service Program for Children | 10.559 | FY 17 | <u>32,704</u> |
| | | | <u>394,918</u> |
| U.S. Department of Education: | | | |
| Pass-through from Iowa Department of Education | | | |
| Title I/SINA Grants To Local Educational Agencies | 84.010 | FY 17 | 210,174 |
| Title I/SINA Grants To Local Educational Agencies | 84.010 | FY 17 | <u>37,352</u> |
| | | | <u>247,526</u> |
| Improving Teacher Quality State Grants | 84.369 | FY 17 | <u>53,007</u> |
| Grants for State Assessments and Related Activities | 84.027 | FY 17 | <u>2,262</u> |
| Keystone AEA: | | | |
| Special Education-Grants to States | 84.027 | FY 17 | <u>57,040</u> |
| Twenty-First Century Community Learning Centers | 84.287 | FY 17 | <u>436,036</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | FY 17 | 17,568 |
| Total | | | <u><u>\$ 1,208,357</u></u> |

* - Includes the District received \$56,894 of federal commodities

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Allamakee Community School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Allamakee Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Allamakee Community School District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See accompanying independent auditor's report

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

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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 Allamakee Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Allamakee Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-17 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-17 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 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.

Allamakee Community School District's Responses to the Findings

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

Purpose of this Report

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

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

Community CPA

Des Moines, IA
January 15, 2018

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Education of Allamakee Community School District:

Report on Compliance for Each Major Federal Program

We have audited Allamakee Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. Allamakee Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Allamakee Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Allamakee Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-17 we consider to be a material weakness.

Allamakee Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Allamakee Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Community CPA

Des Moines, IA
January 15, 2018

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major programs were as follows:
 - CFDA Number 10.555: National School Lunch Program
 - CFDA Number 84.287 - Twenty-First Century Community Learning Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Allamakee Community School District did not qualify as a low-risk auditee.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-17: Segregation of Duties

Prior Year Recommendation - We noted that the same individual performs the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting and the analysis of financial information.

We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate prior year recommendation.

Response – We will continue to review our procedures and implement additional controls where possible.

Auditor's Conclusion – Response accepted.

II-B-17 Financial Statement Preparation

Criteria - The District does not have a system of internal controls that fully prepare financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America.

Cause - As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures.

Effect - The potential effect of this material weakness is that there could be material errors in the financial statements which would not be discovered by management.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response – We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements and disclosures each year.

Auditor's Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2017
Prior Year Finding Number: III-A-16
U.S. Department of Agriculture
Pass-Through from the Iowa Department of Education

CFDA number 84.287: Twenty-First Century Community
Learning Centers
Federal Award Year: 2017
Prior Year Finding Number: III-A-16
U.S. Department of Education
Pass-Through from the Iowa Department of Education

III-A-16: Segregation of Duties

Prior Year Recommendation - We noted that the same individual performs the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting and the analysis of financial information.

We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate prior year recommendation.

Response – We will continue to review our procedures and implement additional controls where possible.

Auditor's Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-17 Certified Budget – Expenditures for the year ended June 30, 2017 exceeded the amended certified budget amounts in the instruction function.

Auditor’s 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.

Auditor’s Conclusion – Response accepted.

IV-B-17 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.

IV-C-17 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-17 Business Transactions - Business transactions between the District and District officials are noted as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|--------------------------------|---------------|
| Bill Hennessey, Building Director / Nephew owns Hennessey & sons Towing | Purchased Service | \$ 300 |
| Sherri Lyons, teacher / Husband is athletic official | Purchased Service | 395 |
| Tina Cooper, Superintendent Secretary / Nephew owns Whitetail Landscaping. | Purchased Service | 6,600 |
| Joan Schwartz, teacher / Son is athletic official | Purchased Service | 636 |
| Barbara Winters-Kelly, Grant Director / Sister owns BE catered LLC | Purchased Service | 630 |
| Michelle Pladsen, teacher / Husband is athletic worker | Purchased Service | 40 |
| Sarah Schacherer, teacher / Husband is music contest Judge | Purchased Service | 80 |
| Virginia Kurth, MS site coordinator / Stepson owns Kurth Plumbing & Heating | Purchased Service | \$ 620 |

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

IV-E-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-17 Board Minutes -We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-17 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-17 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 1.214.

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

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

Conclusion - Response accepted.

IV-I-17 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy was noted.

IV-J-17 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant of 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|---------------------------------------|----------------|----------------------------|
| Beginning balance | | \$ 2,583,560 |
| Revenues | | |
| Statewide sales, services and use tax | 1,176,079 | |
| Grant received | <u>25,267</u> | 1,201,346 |
| Expenditures/transfers out | | |
| School Infrastructure | | |
| Building improvements | 821,441 | |
| Equipment | 31,975 | |
| Transfers out | <u>500,000</u> | <u>1,353,416</u> |
| Ending balance | | <u><u>\$ 2,431,490</u></u> |

IV-M-17 Student Activity Funds - No instances of noncompliance with the use of student activity funds provision of Chapter 298A.8 of the Code of Iowa Administrative Rule 281-12.6(1).

IV-N-17 Early Childhood Iowa Area Board - The District is not the fiscal agent for the Early Childhood Iowa Area Board.