

AR-WE-VA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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## Ar-We-Va Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Sara Skinner	President	2017
Denise Ragaller	Vice President	2019
Jeremy Smith	Board Member	2019
Gregg Oeser	Board Member	2019
Danielle Schrad	Board Member	2017
	(Elected January 2017)	
Todd Danner	Board Member	2017
	Resigned	
	(Served July-December 2016)	
<b>School Officials</b>		
Jeff Kruse	Superintendent	2017
Sharon Stickrod	Board Secretary/ District Treasurer	2017
Rick Franck	Attorney	2017

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of Ar-We-Va 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 Ar-We-Va Community School District, Westside, 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 Ar-We-Va Community School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 47 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 Ar-We-Va 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 four years ended June 30, 2016 and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2018 on our consideration of Ar-We-Va 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 Ar-We-Va Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2018  
Newton, Iowa

**AR-WE-VA COMMUNITY SCHOOL DISTRICT**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Ar-We-Va 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**

- General Fund revenues increased from \$3,065,396 in fiscal year 2016 to \$3,415,397 in fiscal year 2017, and General Fund expenditures increased from \$3,268,121 in fiscal year 2016 to \$3,427,874 in fiscal year 2017. The District's General Fund balance decreased from \$604,974 at June 30, 2016 to \$592,497 at June 30, 2017, a 2.06% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state source revenues compared to the prior year. The increase in expenditures was due primarily to an increase in the instruction and support services functional areas.

### **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 Ar-We-Va 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 Ar-We-Va Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information activities for which the Ar-We-Va 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 nonmajor governmental funds.

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

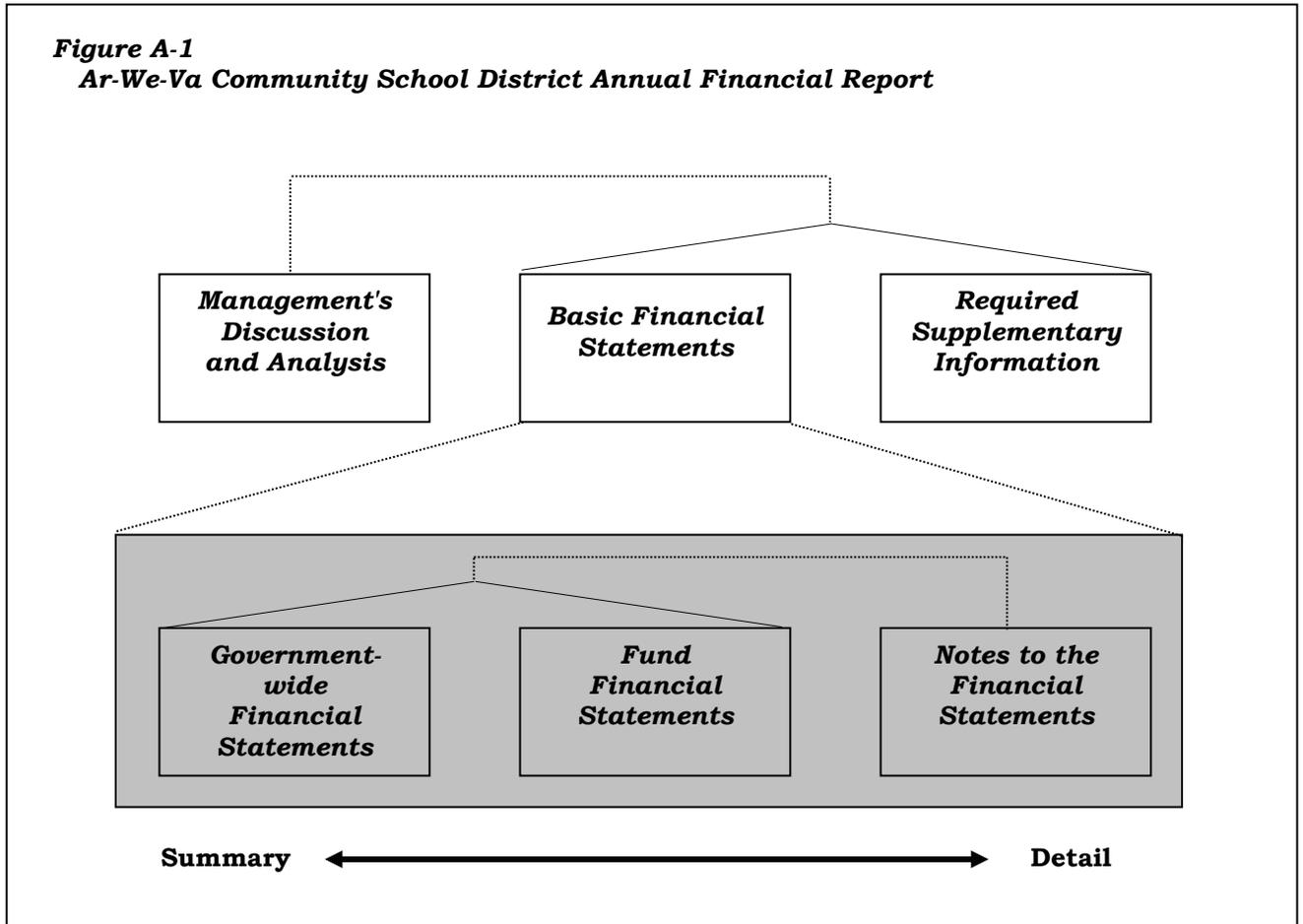


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 6,224,852	5,986,661	82,655	84,574	6,307,507	6,071,235	3.89%
Capital assets	3,862,647	3,848,217	14,512	17,167	3,877,159	3,865,384	0.30%
Total assets	10,087,499	9,834,878	97,167	101,741	10,184,666	9,936,619	2.50%
Deferred outflows of resources	415,270	224,249	8,415	4,584	423,685	228,833	85.15%
Long-term liabilities	3,442,086	3,658,054	31,114	26,816	3,473,200	3,684,870	-5.74%
Other liabilities	313,977	271,505	11,860	10,266	325,837	281,771	15.64%
Total liabilities	3,756,063	3,929,559	42,974	37,082	3,799,037	3,966,641	-4.23%
Deferred inflows of resources	2,567,150	2,405,380	3,037	3,991	2,570,187	2,409,371	6.67%
Net position:							
Net investment in capital assets	2,092,647	1,673,217	14,512	17,167	2,107,159	1,690,384	24.66%
Restricted	2,955,009	2,863,650	-	-	2,955,009	2,863,650	3.19%
Unrestricted	(868,100)	(812,679)	45,059	48,085	(823,041)	(764,594)	-7.64%
Total net position	\$ 4,179,556	3,724,188	59,571	65,252	4,239,127	3,789,440	11.87%

The District's combined net position increased by \$449,687 or 11.87%, from the prior year. A large portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$91,359, or 3.19% over the prior year. The increase is primarily due to the increase in fund balance of the Capital Projects Fund.

Unrestricted net position is 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 \$58,447, or 7.64%. This decrease in unrestricted net position was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-4							
Changes in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 143,691	106,229	61,691	67,836	205,382	174,065	17.99%
Operating grants, contributions and restricted interest	272,206	307,579	78,344	69,278	350,550	376,857	-6.98%
Capital grants, contributions, and restricted interest	-	7,931	-	-	-	7,931	-100.00%
General revenues:							
Property tax	2,258,473	2,283,523	-	-	2,258,473	2,283,523	-1.10%
Income surtax	155,864	140,452	-	-	155,864	140,452	10.97%
Statewide sales, services and use tax	272,389	278,629	-	-	272,389	278,629	-2.24%
Unrestricted state grants	1,088,124	897,355	-	-	1,088,124	897,355	21.26%
Unrestricted investment earnings	13,672	12,849	109	95	13,781	12,944	6.47%
Other	137,894	19,606	394	137	138,288	19,743	600.44%
Total revenues	4,342,313	4,054,153	140,538	137,346	4,482,851	4,191,499	6.95%
Program expenses:							
Instruction	2,491,567	2,390,504	-	-	2,491,567	2,390,504	4.23%
Support services	1,098,537	914,272	-	-	1,098,537	914,272	20.15%
Non-instructional programs	-	-	146,219	125,275	146,219	125,275	16.72%
Other expenditures	296,841	310,438	-	-	296,841	310,438	-4.38%
Total expenses	3,886,945	3,615,214	146,219	125,275	4,033,164	3,740,489	7.82%
Change in net position	455,368	438,939	(5,681)	12,071	449,687	451,010	-0.29%
Net position beginning of year	3,724,188	3,285,249	65,252	53,181	3,789,440	3,338,430	13.51%
Net position end of year	\$ 4,179,556	3,724,188	59,571	65,252	4,239,127	3,789,440	11.87%

In fiscal year 2017, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 86.93% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.64% of the revenue from business type activities.

The District's total revenues were approximately \$4.48 million, of which approximately \$4.34 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.95% increase in revenues and a 7.82% increase in expenses. The increase in revenues is attributable to an increase in unrestricted state grants compared with the prior year.

### Governmental Activities

Revenues for governmental activities were \$4,342,313 and expenses were \$3,886,945 for the year ended June 30, 2017.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2017 compared to those expenses for the year ended June 30, 2016.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 2,491,567	2,390,504	4.23%	2,240,401	2,130,643	5.15%
Support services	1,098,537	914,272	20.15%	1,065,791	887,571	20.08%
Other expenses	296,841	310,438	-4.38%	164,856	175,261	-5.94%
Totals	\$ 3,886,945	3,615,214	7.52%	3,471,048	3,193,475	8.69%

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$143,691.
- Federal, state governments and local sources subsidized certain programs with grants and contributions totaling \$272,206.
- The net cost of governmental activities was financed with \$2,258,473 in property tax, \$155,864 in income surtax, \$272,389 in statewide sales, services and use tax, \$1,088,124 in unrestricted state grants, \$13,672 in interest income, and \$137,894 in other income.

### Business Type Activities

Revenues of the District’s business type activities were \$140,538 and expenses were \$146,219 for the year ended June 30, 2017. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,341,310, above last year’s ending combined fund balances of \$3,329,206. The primary reasons for the increase in combined fund balances in fiscal year 2017 was due to the increases in the Management and Capital Projects Fund balances.

### Governmental Fund Highlights

- The District’s decreasing General Fund financial position is the result of many factors. Overall, the General Fund revenues for fiscal year 2017 increased 11.42%, or \$350,001 as compared to fiscal year 2016. The total expenditures increased by \$159,753, or 4.89%. With these factors, the General Fund balance decreased by \$12,477 or 2.06%.
- The Management Fund balance increased from \$1,131,036 at June 30, 2016 to \$1,170,328 at June 30, 2017. This represents an increase of 3.47% compared to the prior year.
- The Capital Projects Fund balance increased from \$1,194,270 at June 30, 2016 to \$1,381,021 at June 30, 2017. This represents an increase of 15.64% compared to the prior year.

- The Debt Service Fund balance decreased from \$289,828 at June 30, 2016 to \$85,887 at June 30, 2017. The decrease in fund balance is due to the early principal payments made on the District's capital loan note indebtedness.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$65,252 at June 30, 2016 to \$59,571 at June 30, 2017, representing a decrease of 8.71%. An increase in total expenses contributed to the decrease in net position for fiscal year 2017.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$302,778 less than budgeted revenues, a variance of 6.34%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had invested \$3,877,159, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$145,027.

The original cost of the District's capital assets was \$5,725,227. Governmental activities accounted for \$5,377,343 with the remainder of \$47,884 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment net of accumulated depreciation totaled \$131,291 at June 30, 2016 as compared to \$172,415 at June 30, 2017, the primary reason for the increase was the purchase of a bus during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 54,700	54,700	-	-	54,700	54,700	0.00%
Buildings	3,590,191	3,619,229	-	-	3,590,191	3,619,229	-0.81%
Land improvements	59,853	60,164	-	-	59,853	60,164	-0.52%
Machinery and equipment	157,903	114,124	14,512	17,167	172,415	131,291	23.85%
<b>Total</b>	<b>\$ 3,862,647</b>	<b>3,848,217</b>	<b>14,512</b>	<b>17,167</b>	<b>3,877,159</b>	<b>3,865,384</b>	<b>0.30%</b>

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## Long-Term Debt

At June 30, 2017, the District had \$1,770,000 in revenue bonds outstanding. This represents a decrease of 18.62% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total outstanding revenue bond indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund, of \$1,770,000 at June 30, 2017.

	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-17
Capital loan note	\$ -	295,000	-100.00%
Revenue bonds	1,770,000	1,880,000	-5.85%
Total	\$ 1,770,000	2,175,000	-18.62%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Two factors, enrollment and changes in per pupil cost, result in the funding level for Iowa K-12 school districts. The District's enrollment has been declining for several years. The 2017 legislature agreed to a 1.1% increase in supplemental state aid for FY 18. This inadequate level of general funding for school districts will continue to stress the financial position of the district. If revenue does not increase as a result of an increase in supplemental state aid and district enrollment continues to decline, expenditures will have to be reduced in future budget years.

The certified enrollment count taken in October 2017 was 267 which was a decrease of 19 students from the prior year's count. This will have an impact on the FY 19 budget.

The Ar-We-Va Board of Education entered the second year of the 28E agreement for partial grade sharing with Carroll Community School District for FY 17, FY 18, FY 19, and FY 20. The District is sending freshmen and sophomores for 3 periods each day and juniors and seniors for 5 periods each day to Carroll Community School District.

The District's unspent balance increased slightly for FY 17. The increase was due to maximizing operational sharing incentives. The District is currently sharing a Superintendent, Operations & Maintenance Director, Business Manager, Human Resource Director and Elementary Guidance Counselor with other districts which results in additional spending authority of 21 students. The Board of Education continues to look for operational sharing opportunities that best serve the needs of the district; as well as, sharing teachers to cut costs while keeping services available.

In 2017 the State legislature changed the rules involving collective bargaining as a way to help districts budget more effectively. The District negotiated a one-year master contract with the teacher's association on base wages only.

The District paid the voter physical plant and equipment levy loan for the HVAC system off early which resulted in a savings of \$11,827.50 in interest.

The continuation of a voter-approved physical plant and equipment property tax not to exceed one dollar and thirty-four cents (\$1.34) per one thousand dollars (\$1,000) of the assessed valuation of the taxable

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property within the school district passed overwhelmingly. The property tax levy was authorized for a period of ten years through 2028 to levy annually as determined by the board.

The IPERS rate is scheduled to increase by .85% on July 1, 2018. The employer's share will increase by .51% to 9.44% of total eligible wages and the employee's share will increase by .34% to 6.29% of total eligible wages.

### **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 Sharon Stickrod, Board Secretary/District Treasurer, Ar-We-Va Community School District, 108 Clinton Street, Westside, IA 51467.

## **BASIC FINANCIAL STATEMENTS**

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,516,145	68,467	3,584,612
Receivables:			
Property tax:			
Delinquent	11,084	-	11,084
Succeeding year	2,420,518	-	2,420,518
Income surtax	164,001	-	164,001
Accounts	5,190	-	5,190
Due from other governments	91,195	6,023	97,218
Inventories	-	8,165	8,165
Bond discounts and bond issue costs	16,719	-	16,719
Capital assets not being depreciated:			
Land	54,700	-	54,700
Capital assets net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	3,807,947	14,512	3,822,459
<b>TOTAL ASSETS</b>	<b>10,087,499</b>	<b>97,167</b>	<b>10,184,666</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	415,270	8,415	423,685
<b>LIABILITIES</b>			
Accounts payable	282,304	10,448	292,752
Accrued interest payable	31,673	-	31,673
Unearned revenue	-	1,412	1,412
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	110,000	-	110,000
Portion due after one year:			
Revenue bonds payable	1,660,000	-	1,660,000
Net pension liability	1,591,405	31,114	1,622,519
Net OPEB liability	80,681	-	80,681
<b>TOTAL LIABILITIES</b>	<b>3,756,063</b>	<b>42,974</b>	<b>3,799,037</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,420,518	-	2,420,518
Pension related deferred inflows	146,632	3,037	149,669
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,567,150</b>	<b>3,037</b>	<b>2,570,187</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,092,647	14,512	2,107,159
Restricted for:			
Categorical funding	237,869	-	237,869
Debt service	239,159	-	239,159
Management levy purposes	1,170,328	-	1,170,328
Student activities	111,577	-	111,577
School infrastructure	582,003	-	582,003
Physical plant and equipment	614,073	-	614,073
Unrestricted	(868,100)	45,059	(823,041)
<b>TOTAL NET POSITION</b>	<b>\$ 4,179,556</b>	<b>59,571</b>	<b>4,239,127</b>

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,597,859	87,440	22,583	(1,487,836)	-	(1,487,836)
Special	534,886	-	17,048	(517,838)	-	(517,838)
Other	358,822	56,251	67,844	(234,727)	-	(234,727)
	<u>2,491,567</u>	<u>143,691</u>	<u>107,475</u>	<u>(2,240,401)</u>	<u>-</u>	<u>(2,240,401)</u>
Support services:						
Student	94,962	-	-	(94,962)	-	(94,962)
Instructional staff	84,265	-	-	(84,265)	-	(84,265)
Administration	492,509	-	13,867	(478,642)	-	(478,642)
Operation and maintenance of plant	202,318	-	-	(202,318)	-	(202,318)
Transportation	224,483	-	18,879	(205,604)	-	(205,604)
	<u>1,098,537</u>	<u>-</u>	<u>32,746</u>	<u>(1,065,791)</u>	<u>-</u>	<u>(1,065,791)</u>
Long-term debt interest	72,725	-	-	(72,725)	-	(72,725)
Other expenditures:						
AEA flowthrough	131,985	-	131,985	-	-	-
Depreciation(unallocated)*	92,131	-	-	(92,131)	-	(92,131)
	<u>224,116</u>	<u>-</u>	<u>131,985</u>	<u>(92,131)</u>	<u>-</u>	<u>(92,131)</u>
Total governmental activities	<u>3,886,945</u>	<u>143,691</u>	<u>272,206</u>	<u>(3,471,048)</u>	<u>-</u>	<u>(3,471,048)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	146,219	61,691	78,344	-	(6,184)	(6,184)
Total business type activities	<u>146,219</u>	<u>61,691</u>	<u>78,344</u>	<u>-</u>	<u>(6,184)</u>	<u>(6,184)</u>
Total	<u>\$ 4,033,164</u>	<u>205,382</u>	<u>350,550</u>	<u>(3,471,048)</u>	<u>(6,184)</u>	<u>(3,477,232)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,865,575	-	1,865,575
Capital outlay				392,898	-	392,898
Income surtax				155,864	-	155,864
Statewide sales, services and use tax				272,389	-	272,389
Unrestricted state grants				1,088,124	-	1,088,124
Unrestricted investment earnings				13,672	109	13,781
Other				137,894	394	138,288
Total general revenues				<u>3,926,416</u>	<u>503</u>	<u>3,926,919</u>
Change in net position				455,368	(5,681)	449,687
Net position beginning of year				<u>3,724,188</u>	<u>65,252</u>	<u>3,789,440</u>
Net position end of year				<u>\$ 4,179,556</u>	<u>59,571</u>	<u>4,239,127</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 774,022	1,169,761	1,377,005	85,887	109,470	3,516,145
Receivables:						
Property tax:						
Delinquent	8,625	567	1,892	-	-	11,084
Succeeding year	1,972,139	49,633	398,746	-	-	2,420,518
Income surtax	164,001	-	-	-	-	164,001
Accounts	486	-	2,099	-	2,605	5,190
Due from other governments	68,570	-	22,625	-	-	91,195
<b>TOTAL ASSETS</b>	<b>\$ 2,987,843</b>	<b>1,219,961</b>	<b>1,802,367</b>	<b>85,887</b>	<b>112,075</b>	<b>6,208,133</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 259,206	-	22,600	-	498	282,304
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding years property tax	1,972,139	49,633	398,746	-	-	2,420,518
Income surtax	164,001	-	-	-	-	164,001
Total deferred inflows of resources	2,136,140	49,633	398,746	-	-	2,584,519
Fund balances:						
Restricted for:						
Categorical funding	237,869	-	-	-	-	237,869
Debt service	-	-	184,945	85,887	-	270,832
Management levy purposes	-	1,170,328	-	-	-	1,170,328
Student activities	-	-	-	-	111,577	111,577
School infrastructure	-	-	582,003	-	-	582,003
Physical plant and equipment	-	-	614,073	-	-	614,073
Unassigned	354,628	-	-	-	-	354,628
Total fund balances	592,497	1,170,328	1,381,021	85,887	111,577	3,341,310
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,987,843</b>	<b>1,219,961</b>	<b>1,802,367</b>	<b>85,887</b>	<b>112,075</b>	<b>6,208,133</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,341,310
 <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.		3,862,647
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.		(31,673)
Accounts receivable income surtax, are not yet available to finance expenditures of the current year.		164,001
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		16,719
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	\$ 415,270	
Deferred inflows of resources	<u>(146,632)</u>	268,638
Long-term liabilities, including bonds payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,442,086)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>4,179,556</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 1,895,997	115,043	392,898	-	-	2,403,938
Tuition	77,230	-	-	-	-	77,230
Other	91,075	13,377	60,995	-	56,436	221,883
State sources	1,270,413	3,246	274,522	-	-	1,548,181
Federal sources	80,682	-	-	-	-	80,682
<b>TOTAL REVENUES</b>	<b>3,415,397</b>	<b>131,666</b>	<b>728,415</b>	<b>-</b>	<b>56,436</b>	<b>4,331,914</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	1,569,213	27,014	11,426	-	-	1,607,653
Special	503,090	-	-	-	-	503,090
Other	320,499	-	-	-	55,585	376,084
	<b>2,392,802</b>	<b>27,014</b>	<b>11,426</b>	<b>-</b>	<b>55,585</b>	<b>2,486,827</b>
Support services:						
Student	93,862	-	-	-	-	93,862
Instructional staff	65,535	-	20,819	-	-	86,354
Administration	385,884	58,609	45,584	-	-	490,077
Operation and maintenance of plant	187,165	-	6,395	-	-	193,560
Transportation	169,013	6,751	88,524	-	-	264,288
	<b>901,459</b>	<b>65,360</b>	<b>161,322</b>	<b>-</b>	<b>-</b>	<b>1,128,141</b>
Capital outlay						
	-	-	93,484	-	-	93,484
Long-term debt:						
Principal	-	-	-	405,000	-	405,000
Interest and fiscal charges	-	-	-	74,373	-	74,373
	<b>-</b>	<b>-</b>	<b>-</b>	<b>479,373</b>	<b>-</b>	<b>479,373</b>
Other expenditures:						
AEA flowthrough	131,985	-	-	-	-	131,985
<b>TOTAL EXPENDITURES</b>	<b>3,426,246</b>	<b>92,374</b>	<b>266,232</b>	<b>479,373</b>	<b>55,585</b>	<b>4,319,810</b>
Excess(Deficiency) of revenues over(under) expenditures	(10,849)	39,292	462,183	(479,373)	851	12,104
Other financing sources(uses):						
Transfer in	-	-	-	275,432	1,628	277,060
Transfer out	(1,628)	-	(275,432)	-	-	(277,060)
<b>Total other financing sources(uses)</b>	<b>(1,628)</b>	<b>-</b>	<b>(275,432)</b>	<b>275,432</b>	<b>1,628</b>	<b>-</b>
Change in fund balances	(12,477)	39,292	186,751	(203,941)	2,479	12,104
Fund balances beginning of year	604,974	1,131,036	1,194,270	289,828	109,098	3,329,206
Fund balances end of year	\$ 592,497	1,170,328	1,381,021	85,887	111,577	3,341,310

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA 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(page 22)** \$ 12,104

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

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

Capital outlay	\$ 156,802	
Depreciation expense	<u>(142,372)</u>	14,430

Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 405,000

Bond issue costs and bond discounts are reported as expenses in the governmental funds, but are capitalized and amortized over the life of the bonds in the Statement of Activities. (1,394)

Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds. 10,399

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. 3,042

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position. 145,531

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

Termination benefits	27,014	
Pension expense	(152,123)	
Other postemployment benefits	<u>(8,635)</u>	<u>(133,744)</u>

**Change in net position of governmental activities(page 19)** \$ 455,368

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	Enterprise, School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 68,467
Due from other governments	6,023
Inventories	8,165
Capital assets, net of accumulated depreciation	14,512
<b>TOTAL ASSETS</b>	<b>97,167</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	8,415
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	10,448
Unearned revenue	1,412
Total current liabilities	11,860
Noncurrent liabilities:	
Net pension liability	31,114
<b>TOTAL LIABILITIES</b>	<b>42,974</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	3,037
 <b>NET POSITION</b>	
Net investment in capital assets	14,512
Unrestricted	45,059
<b>TOTAL NET POSITION</b>	<b>\$ 59,571</b>

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2017

	Enterprise, School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 61,691
Miscellaneous	394
TOTAL OPERATING REVENUES	62,085
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	41,222
Benefits	19,010
Services	10,166
Supplies	73,166
Depreciation	2,655
TOTAL OPERATING EXPENSES	146,219
OPERATING LOSS	(84,134)
NON-OPERATING REVENUES:	
State sources	1,059
Federal sources	77,285
Interest income	109
TOTAL NON-OPERATING REVENUES	78,453
Change in net position	(5,681)
Net position beginning of year	65,252
Net position end of year	\$ 59,571

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 61,439
Cash received from miscellaneous sources	394
Cash payments to employees for services	(60,719)
Cash payments to suppliers for goods or services	(73,398)
Net cash used in operating activities	(72,284)
Cash flows from non-capital financing activities:	
State grants received	1,059
Federal grants received	59,892
Net cash provided by non-capital financing activities	60,951
Cash flows from investing activities:	
Interest on investments	109
Net decrease in cash and pooled investments	(11,224)
Cash and pooled investments beginning of year	79,691
Cash and pooled investments end of year	\$ 68,467
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (84,134)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,370
Depreciation	2,655
Increase in inventories	(3,282)
Increase in accounts payable	1,846
Increase in net pension liability	4,298
Increase in deferred outflows of resources	(3,831)
Decrease in deferred inflows of resources	(954)
Decrease in deferred revenue	(252)
Net cash used in operating activities	\$ (72,284)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2017, the District received Federal commodities valued at \$11,370.

SEE NOTES TO FINANCIAL STATEMENTS.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

Ar-We-Va Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Arcadia, Vail and Westside, Iowa, and the predominate agricultural territory in Carroll and Crawford 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, Ar-We-Va 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 Ar-We-Va Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations** - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll and Crawford Counties 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that clearly identifiable with

a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The Management Fund is utilized to account for the payment of property insurance and unemployment benefits.

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

The District reports the following non-major proprietary fund:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, and equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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	\$ 1,000
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Land improvements	20-50
Intangibles	5-10
Machinery and equipment	5-15

**Deferred Outflows of Resources** - Deferred outflows of resources represent a consumption of net position applicable to a future period(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 employer after the measurement date but before the end of the District's reporting period.

**Unearned Revenue** - 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.

**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 income surtax receivable as well as property tax 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 as revenue 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.

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

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

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

**Unassigned** - All amounts not included in the preceding classifications.

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

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

### **(2) Cash 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 insure there will be no loss of public funds.

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

At June 30, 2017 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$57 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

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
Student Activity	General Fund	\$ 1,628
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	176,019
Debt Service	Capital Projects: Physical Plant and Equipment Levy	99,413
		<u>\$ 277,060</u>

The transfer from the General Fund to the Student Activity Fund was needed for safety equipment as approved by the Ar-We-Va Community School District's Board of Education.

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 revenue bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,700	-	-	54,700
Capital assets being depreciated:				
Buildings	4,558,418	59,110	-	4,617,528
Land improvements	146,144	3,672	-	149,816
Machinery and equipment	851,313	94,020	90,034	855,299
Total capital assets being depreciated	<u>5,555,875</u>	<u>156,802</u>	<u>90,034</u>	<u>5,622,643</u>
Less accumulated depreciation for:				
Buildings	939,189	88,148	-	1,027,337
Land improvements	85,980	3,983	-	89,963
Machinery and equipment	737,189	50,241	90,034	697,396
Total accumulated depreciation	<u>1,762,358</u>	<u>142,372</u>	<u>90,034</u>	<u>1,814,696</u>
Total capital assets being depreciated, net	<u>3,793,517</u>	<u>14,430</u>	<u>-</u>	<u>3,807,947</u>
Governmental activities capital assets, net	<u>\$ 3,848,217</u>	<u>14,430</u>	<u>-</u>	<u>3,862,647</u>
Business type activities:				
Machinery and equipment	\$ 52,357	-	4,473	47,884
Less accumulated depreciation	35,190	2,655	4,473	33,372
Business type activities capital assets, net	<u>\$ 17,167</u>	<u>(2,655)</u>	<u>-</u>	<u>14,512</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,455
Other		4,218
Support services:		
Instructional staff		1,993
Operation and maintenance of plant		1,300
Transportation		37,275
		<u>50,241</u>
Unallocated depreciation		<u>92,131</u>
Total governmental activities depreciation expense		<u>\$ 142,372</u>
Business type activities:		
Food services operations		<u>\$ 2,655</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
Revenue bonds	\$ 1,880,000	-	110,000	1,770,000	110,000
Capital loan note	295,000	-	295,000	-	-
Net pension liability	1,383,994	207,411	-	1,591,405	-
Termination benefits	27,014	-	27,014	-	-
Net OPEB liability	72,046	8,635	-	80,681	-
Total	<u>\$ 3,658,054</u>	<u>216,046</u>	<u>432,014</u>	<u>3,442,086</u>	<u>110,000</u>
<b><u>Business type activities</u></b>					
Net pension liability	\$ 26,816	4,298	-	31,114	-

**Revenue Bonds Payable**

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2011				
	Interest Rate		Principal	Interest	Total
2018	2.25	% \$	110,000	63,345	173,345
2019	2.60		115,000	60,870	175,870
2020	2.90		115,000	57,880	172,880
2021	3.10		120,000	54,545	174,545
2022	3.25		125,000	50,825	175,825
2023-2027	3.40-4.10		695,000	186,338	881,338
2028-2030	4.15-4.25		490,000	41,967	531,967
Total			<u>\$ 1,770,000</u>	<u>515,770</u>	<u>2,285,770</u>

The District has pledged future statewide sales, services, and use tax revenues to repay the \$2,305,000, bonds issued on September 1, 2011. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2030. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 63% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,285,770. For the current year, principal of \$110,000 and interest of \$65,545 was paid on the bonds and the statewide sales, services and use tax revenues were \$272,389.

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

- a) \$184,945 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

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

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

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

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

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

retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

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

In fiscal year 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 were \$149,171.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$1,622,519 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the District’s proportion was 0.025702%, which was a decrease of 0.002774 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$155,276. 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	\$ 14,340	19,364
Changes of assumptions	24,755	-
Net difference between projected and actual earnings on IPERS’ investments	231,157	-
Changes in proportion and differences between District contributions and the District’s proportionate share of contributions	4,262	130,305
District contributions subsequent to the measurement date	149,171	-
Total	<u>\$ 423,685</u>	<u>149,669</u>

\$149,171 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 ended 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	\$ (3,780)
2019	(3,780)
2020	96,308
2021	44,969
2022	(8,872)
Total	<u>\$ 124,845</u>

There were no non-employer contributing entities at 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:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% 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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 that 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 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-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,625,016	1,622,519	776,398

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

**(7) Other Postemployment Benefits (OPEB)**

**Plan Description** - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 25 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit 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 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 obligation:

Annual required contribution	\$ 10,722
Interest on net OPEB obligation	1,801
Adjustment to annual required contribution	(3,888)
Annual OPEB cost	<u>8,635</u>
Contributions made	-
Increase in net OPEB obligation	<u>8,635</u>
Net OPEB obligation beginning of year	<u>72,046</u>
Net OPEB obligation end of year	<u><u>\$ 80,681</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation 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 ended June 30, 2017, the District contributed \$0 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2017 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 14,422	11.62	\$ 63,401
2016	8,645	0.00	72,046
2017	8,635	0.00	80,681

**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 \$78,057, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$78,057. The covered payroll (annual payroll of active employees covered by the plan) was \$1,338,440 and the ratio of UAAL to covered payroll was 5.80%. 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 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy and a health cost trend rate of 6% per year

Mortality rates are from the RP 2000 Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

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

**(8) Risk Management**

Ar-We-Va 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.

**(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 \$131,985 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 ending restricted balance for categorical funding at June 30, 2017 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four-year-old preschool state aid	\$ 65,941
Teacher salary supplement	20,184
Market factor	1,670
Market factor incentives	2,697
Professional development for model core curriculum	20,561
Professional development	37,820
Returning Dropouts and Dropout Prevention	43,867
Successful progression for early readers	31,872
Teacher leadership grants	13,257
Total	<u>\$ 237,869</u>

**(11) Detailed Reconciliation of Governmental Fund Balances to Net Position**

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

	<u>Invested</u>		
	<u>in Capital</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Assets</u>	<u>Service</u>	<u>Unrestricted</u>
Fund Balance (Exhibit C)	\$ -	270,832	354,628
Capital assets, net of accumulated depreciation	3,862,647	-	-
Revenue bond capitalized indebtedness	(1,770,000)	-	-
Income surtax	-	-	164,001
Accrued interest payable	-	(31,673)	-
Pension related deferred outflows	-	-	415,270
Net pension liability	-	-	(1,591,405)
Pension related deferred inflows	-	-	(146,632)
Bond discounts and bond issue costs	-	-	16,719
Net OPEB liability	-	-	(80,681)
Net position (Exhibit A)	<u>\$ 2,092,647</u>	<u>239,159</u>	<u>(868,100)</u>

**(12) 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.

**(13) Tax Abatements**

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

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2017.

**(14) 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2017

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 2,703,051	62,194	2,765,245	2,851,678	2,851,678	(86,433)
State sources	1,548,181	1,059	1,549,240	1,733,532	1,733,532	(184,292)
Federal sources	80,682	77,285	157,967	190,000	190,000	(32,033)
Total revenues	4,331,914	140,538	4,472,452	4,775,210	4,775,210	(302,758)
<b>Expenditures/expenses:</b>						
Instruction	2,486,827	-	2,486,827	3,180,000	3,180,000	693,173
Support services	1,128,141	-	1,128,141	1,273,000	1,273,000	144,859
Non-instructional programs	-	146,219	146,219	175,000	175,000	28,781
Other expenditures	704,842	-	704,842	849,063	849,063	144,221
Total expenditures/expenses	4,319,810	146,219	4,466,029	5,477,063	5,477,063	1,011,034
Excess(Deficiency) of revenues over(under) expenditures/expenses	12,104	(5,681)	6,423	(701,853)	(701,853)	708,276
Balances beginning of year	3,329,206	65,252	3,394,458	2,813,560	2,813,560	580,898
Balances end of year	\$ 3,341,310	59,571	3,400,881	2,111,707	2,111,707	1,289,174

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AR-WE-VA 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.

AR-WE-VA 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	0.025782%	0.028556%	0.028837%
District's proportionate share of the net pension liability	\$ 1,623	1,411	1,143
District's covered-employee payroll	\$ 1,826	1,956	1,892
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.88%	72.14%	60.41%
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 amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 149	163	175	169	165	160	131	131	138	133
Contributions in relation to the statutorily required contribution	\$ (149)	(163)	(175)	(169)	(165)	(160)	(131)	(131)	(138)	(133)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,670	1,826	1,956	1,892	1,903	1,983	1,885	1,970	2,173	2,198
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AR-WE-VA 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.

AR-WE-VA 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 (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 79,000	\$ 79,000	0.00%	\$ 2,149,000	3.7%
2011	July 1, 2009	-	79,000	79,000	0.00	2,215,000	3.6
2012	July 1, 2009	-	72,000	72,000	0.00	2,081,000	3.5
2013	July 1, 2012	-	101,525	101,525	0.00	1,480,989	6.9
2014	July 1, 2012	-	93,912	93,912	0.00	1,657,240	5.7
2015	July 1, 2012	-	85,598	85,598	0.00	1,601,992	5.3
2016	July 1, 2015	-	82,906	82,906	0.00	1,735,727	4.8
2017	July 1, 2015	-	78,057	78,057	0.00	1,338,440	5.8

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**AR-WE-VA COMMUNITY SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT FUND ACCOUNTS  
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 744,323	632,682	1,377,005
Receivables:			
Property tax:			
Delinquent	-	1,892	1,892
Succeeding year	-	398,746	398,746
Accounts	-	2,099	2,099
Due from other governments	22,625	-	22,625
<b>TOTAL ASSETS</b>	<b>\$ 766,948</b>	<b>1,035,419</b>	<b>1,802,367</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	22,600	22,600
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	398,746	398,746
Fund balances:			
Restricted for:			
Debt service	184,945	-	184,945
School infrastructure	582,003	-	582,003
Physical plant and equipment	-	614,073	614,073
Total fund balances	766,948	614,073	1,381,021
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 766,948</b>	<b>1,035,419</b>	<b>1,802,367</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	392,898	392,898
Other	2,129	58,866	60,995
State sources	272,389	2,133	274,522
<b>TOTAL REVENUES</b>	<b>274,518</b>	<b>453,897</b>	<b>728,415</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	11,426	11,426
Support services:			
Instructional staff	-	20,819	20,819
Administration	-	45,584	45,584
Operation and maintenance of plant	-	6,395	6,395
Transportation	-	88,524	88,524
Capital outlay	-	93,484	93,484
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>266,232</b>	<b>266,232</b>
Excess of revenues over expenditures	274,518	187,665	462,183
Other financing uses:			
Transfer out	(176,019)	(99,413)	(275,432)
Change in fund balances	98,499	88,252	186,751
Fund balances beginning of year	668,449	525,821	1,194,270
Fund balances end of year	<b>\$ 766,948</b>	<b>614,073</b>	<b>1,381,021</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
School Plays	\$ 2,847	579	273	-	3,153
Athletic Fund	81,406	40,068	37,627	1,628	85,475
Honor Society	45	1,154	1,155	-	44
Student Council	3,095	14	1,892	-	1,217
Weight Room Fund	3,678	-	-	-	3,678
Class of 2016	192	-	-	(192)	-
Class of 2017	1,441	-	-	(1,441)	-
Class of 2018	6,385	4,922	6,078	(4,700)	529
Class of 2019	402	930	-	2,000	3,332
Class of 2020	-	184	-	3,192	3,376
Class of 2021	-	195	732	1,141	604
High School Annual	4,079	5,349	5,732	-	3,696
Cheerleader	941	1,239	958	-	1,222
Dance Team	4,587	1,802	1,138	-	5,251
Total	<u>\$ 109,098</u>	<u>56,436</u>	<u>55,585</u>	<u>1,628</u>	<u>111,577</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 2,403,938	2,429,942	2,441,557	2,616,153	2,938,858	2,409,961	2,342,115	2,056,978	1,918,370	1,552,235
Tuition	77,230	47,232	28,059	29,697	30,927	104,865	187,251	59,717	104,412	159,926
Other	221,883	122,594	131,678	141,206	190,097	187,489	168,546	191,853	261,494	301,952
State sources	1,548,181	1,384,261	1,263,548	1,462,075	1,082,369	1,299,948	1,311,442	1,451,190	1,638,819	1,870,705
Federal sources	80,682	76,091	76,101	81,411	90,496	118,450	222,648	397,037	213,440	193,556
Total	<u>\$ 4,331,914</u>	<u>4,060,120</u>	<u>3,940,943</u>	<u>4,330,542</u>	<u>4,332,747</u>	<u>4,120,713</u>	<u>4,232,002</u>	<u>4,156,775</u>	<u>4,136,535</u>	<u>4,078,374</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,607,653	1,452,166	1,595,426	1,658,744	1,738,777	1,555,382	1,690,127	1,596,556	1,617,329	1,510,528
Special	503,090	468,763	449,015	449,219	493,856	323,662	410,700	379,183	416,151	491,023
Other	376,084	527,975	542,993	449,402	425,520	520,450	576,477	506,991	486,379	462,492
Support services:										
Student	93,862	61,324	59,447	17,839	11,405	17,680	15,822	19,569	29,652	47,646
Instructional staff	86,354	13,227	13,783	33,047	26,216	48,521	32,904	25,172	23,897	37,104
Administration	490,077	455,057	456,087	445,105	446,408	441,185	400,848	381,116	444,888	467,557
Operation and maintenance of plant	193,560	197,503	230,428	202,279	193,890	227,832	216,671	205,933	235,322	249,253
Transportation	264,288	232,260	155,902	187,179	168,128	186,149	265,562	146,732	294,162	227,963
Non-instructional programs	-	-	10,175	9,236	15,335	18,498	18,272	18,397	19,151	23,312
Capital outlay	93,484	7,931	17,951	39,818	318,567	1,849,406	121,926	69,171	690,478	1,286,148
Long-term debt:										
Principal	405,000	245,000	250,000	240,000	220,000	395,000	195,000	200,000	-	-
Interest and fiscal charges	74,373	86,799	93,778	100,462	106,362	66,763	52,665	58,015	-	-
Other expenditures:										
AEA flow-through	131,985	135,177	134,041	133,534	127,027	128,599	147,351	147,136	138,265	136,401
Total	<u>\$ 4,319,810</u>	<u>3,883,182</u>	<u>4,009,026</u>	<u>3,965,864</u>	<u>4,291,491</u>	<u>5,779,127</u>	<u>4,144,325</u>	<u>3,753,971</u>	<u>4,395,674</u>	<u>4,939,427</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of Ar-We-Va Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va 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 February 6, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ar-We-Va 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 Ar-We-Va Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ar-We-Va 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 that may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness.

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

## **Compliance and Other Matters**

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

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

## **Ar-We-Va Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 6, 2018  
Newton, Iowa

AR-WE-VA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2017

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-17 Segregation of Duties

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

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording, adding and deleting vendors.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - access to accounts, processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch Inventories - ordering, receiving, maintaining records and access to inventory.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

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

Response - Segregation of duties will always be an issue in a small District. The District will continue to reevaluate internal controls and tests to ensure compliance with these controls; as well as, incorporate additional internal controls where necessary. The District will continue to utilize current personnel and elected officials to obtain maximum internal control possible.

Conclusion -Response accepted.

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

II-A-17 Certified Budget - Expenditures for the year ended June 30, 2017 did not exceed the certified budget.

II-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.

II-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Todd Danner, Board Member Athletic Official	Services	\$915
Denise Ragaller, Board Member Spouse is an Athletic Official	Services	\$380
Danielle Schrad, Board Member DJ service for dance	Services	\$200

In accordance with Chapter 279.7A of the Iowa Code, the above transactions with board members, Todd Danner and Danielle Schrad, do not appear to represent a conflict of interest.

In accordance with an Attorney General's opinion dated November 9, 1976 the transactions with the spouse of a board member do not appear to represent a conflict of interest.

- II-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 the coverage is adequate for current operations.
- II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-17 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-17 Supplementary Weighting - We noted the supplementary weighting certified to the Iowa Department of Education was overstated by 0.116.

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

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

Conclusion - Response accepted.

- II-I-17 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-17 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.  
Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 668,449
Revenues:		
Sales tax revenues	\$ 272,389	
Other local revenues	2,129	274,518
		942,967
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		176,019
Ending balance		\$ 766,948

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II -M-17 Authorized Check Signatures - We noted during our audit an instance of check not having two signatures.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President may designate an authorized signer to sign in his/her absence. The District should review this process and make necessary changes to ensure all checks are signed in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will continue to review checks as a regular process before sending payments to ensure two signatures on each check from the authorized signers for the District.

Conclusion - Response accepted.