



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

June 20, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on United Community School District in Boone, Iowa.

The District's revenues totaled \$6,693,731 for the year ended June 30, 2018, a 10.5% increase over the prior year. The revenues included \$2,630,057 of local tax, \$336,290 of statewide sales, services and use tax, \$180,708 of income surtax, charges for service of \$1,658,069, operating grants, contributions and restricted interest of \$781,348, unrestricted investment earnings of \$4,375, unrestricted state grants of \$1,052,772, and other general revenues of \$50,112.

Expenses for District operations for the year ended June 30, 2018 totaled \$7,025,505, a 16.8% increase over the prior year, and included \$3,124,462 for regular instruction, \$971,094 for special instruction and \$530,528 for administration.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

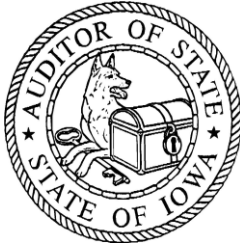
###

UNITED COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

United Community School District



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

June 14, 2019

Officials of United Community School District
Boone, Iowa

Dear Board of Education Members:

I am pleased to submit to you the financial and compliance audit report for United Community School District for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of United Community School District throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	19
Statement of Activities	B	20-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position	J	29
Notes to Financial Statements		31-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		48-49
Notes to Required Supplementary Information – Budgetary Reporting		50
Schedule of the District’s Proportionate Share of the Net Pension Liability		51
Schedule of District Contributions		52-53
Notes to Required Supplementary Information – Net Pension Liability		54
Schedule of Changes in the District’s Total OPEB Liability, Related Ratios and Notes		55
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	59
Nonmajor Proprietary Funds:		
Combining Schedule of Net Position	3	60
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	4	61
Combining Schedule of Cash Flows	5	62
Capital Projects Fund Accounts:		
Combining Balance Sheet	6	63
Combining Schedule of Revenues, Expenditures and Changes in Balances	7	64

Table of Contents
(continued)

		<u>Page</u>
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	8	65
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	9	66-67
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 <u>Government Auditing Standards</u>		69-70
Schedule of Findings		71-80
Staff		81

United Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Valerie Brewer	President	2019
Brenda Stanley	Vice President	2021
Leonard Larsen	Board Member	2019
Kathy Toms	Board Member	2019
Lori Weyhrich	Board Member	2021
School Officials		
Tim Salmon	Superintendent	(Resigned May 2018)
John Chalstrom (Appointed Jun 2018)	Superintendent	2022
Jeff Boeding	Board Secretary/Treasurer	(Resigned Jun 2018)
Jacob Ballard (Appointed Jun 2018)	Board Secretary/Treasurer	2019
Jordan & Mahoney Law Firm P.C.	Attorney	2018



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 United Community School District as of June 30, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, United Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 48 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

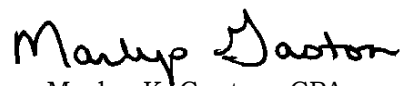
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise United Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2017 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 June 14, 2019 on our consideration of United 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 United Community School District's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 14, 2019

United Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

United 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, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities was restated by \$1,103,745 and \$80,539, respectively, to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$4,642,960 in fiscal year 2017 to \$5,208,215 in fiscal year 2018 while General Fund expenditures increased from \$4,938,378 in fiscal year 2017 to \$5,401,740 in fiscal year 2018. The District's General Fund balance decreased from \$419,182 at the end of fiscal year 2017 to \$225,657 at the end of fiscal year 2018, a 46.2% decrease.
- The increase in General Fund revenues was primarily attributable to increased enrollment to generate more property tax and state revenues.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of United 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 United Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which United Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other 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 financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. This would include the Agency Funds.
- Agency Fund – These are funds through which the District administers and accounts for certain revenues collected for the District's reunion activities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis which follows provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017, before restatement.

	Condensed Statement of Net Position							
	(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30, 2017		June 30, 2017		June 30, 2017		June 30, 2017-2018	
	2018 (Not Restated)	2017 (Not Restated)	2018 (Not Restated)	2017 (Not Restated)	2018 (Not Restated)	2017 (Not Restated)	2017-2018	
Current and other assets	\$ 6,275	5,871	393	413	6,668	6,284	384	
Capital assets	4,036	4,161	10	4	4,046	4,165	(119)	
Total assets	10,311	10,032	403	417	10,714	10,449	265	
Deferred outflows of resources	579	530	85	58	664	588	76	
Long-term liabilities	3,365	1,970	334	221	3,699	2,191	1,508	
Other liabilities	1,669	1,215	63	32	1,732	1,247	485	
Total liabilities	5,034	3,185	397	253	5,431	3,438	1,993	
Deferred inflows of resources	2,522	2,673	19	4	2,541	2,677	(136)	
Net position:								
Net investment in capital assets	4,036	4,160	10	4	4,046	4,164	(118)	
Restricted	2,040	1,574	-	-	2,040	1,574	466	
Unrestricted	(2,742)	(1,030)	62	214	(2,680)	(816)	(1,864)	
Total net position	\$ 3,334	4,704	72	218	3,406	4,922	(1,516)	

Prior to restatement, the District's total net position decreased 30.8%, or approximately \$1,516,000, from the prior year. The largest portion of the District's net position is net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. This net position category decreased 2.8%, or approximately \$118,000, from the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$466,000, or 29.6%, over the prior year. Restricted balances for physical plant and equipment levy and school infrastructure increased approximately \$284,000 due to the reduction in capital projects expenditures.

Unrestricted net position – the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$1,864,000, or 228.43%, primarily due to an increase in the net pension and total OPEB liabilities.

The analysis which follows shows the change in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017, before restatement.

	Change in Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2017 (Not Restated)	2017 (Not Restated)	2017 (Not Restated)	2017 (Not Restated)	2017 (Not Restated)	2017 (Not Restated)	2017-2018	
Revenues:								
Program revenues:								
Charges for service	\$ 1,174	1,156	484	433	1,658	1,589	69	
Operating grants, contributions and restricted interest	713	419	68	74	781	493	288	
General revenues:								
Property tax	2,630	2,229	-	-	2,630	2,229	401	
Statewide sales, services and use tax	336	328	-	-	336	328	8	
Income surtax	181	168	-	-	181	168	13	
Unrestricted state grants	1,053	1,203	-	-	1,053	1,203	(150)	
Unrestricted investment earnings	1	1	3	1	4	2	2	
Other	50	43	-	4	50	47	3	
Total revenues	6,138	5,547	555	512	6,693	6,059	634	
Program expenses:								
Governmental activities:								
Instruction	4,393	3,729	299	227	4,692	3,956	736	
Support services	1,618	1,431	2	6	1,620	1,437	183	
Non-instructional programs	-	3	319	283	319	286	33	
Other expenses	394	335	-	-	394	335	59	
Total expenses	6,405	5,498	620	516	7,025	6,014	1,011	
Change in net position	(267)	49	(65)	(4)	(332)	45	(377)	
Net position beginning of year, as restated	3,601	4,655	137	222	3,738	4,877	(1,139)	
Net position end of year	\$ 3,334	4,704	72	218	3,406	4,922	(1,516)	

In fiscal year 2018, property tax and unrestricted state grants accounted for 60.0% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.5% of business type activities revenue. The District's total revenues were approximately \$6.7 million, of which approximately \$6.1 million was for governmental activities and approximately \$.6 million was for business type activities.

As shown in the analysis, the District as a whole experienced a 10.5% increase in revenues and a 16.8% increase in expenses. The increase in expenses was primarily due to an increase in instruction expenses.

Governmental Activities

Revenues for governmental activities were \$6,138,580 and expenses were \$6,405,315 for the year ended June 30, 2018.

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

	Total and Net Cost of Governmental Activities					
	(Expressed in Thousands)					
	Total Cost of Services			Net Cost of Services		
	2017	Change		2017	Change	
	2018 (Not Restated)	2017-2018		2018 (Not Restated)	2017-2018	
Instruction	\$ 4,393	3,729	17.8%	2,669	2,289	16.6%
Support services	1,618	1,431	13.1%	1,604	1,428	12.3%
Non-instructional programs	-	3	-100.0%	-	3	-100.0%
Other expenses	394	335	17.6%	245	202	21.3%
Total	\$ 6,405	5,498	16.5%	4,518	3,922	15.2%

- The cost financed by users of the District's programs was \$1,174,425.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$712,698.
- The net cost of governmental activities was financed with \$2,966,347 of property and other tax and \$1,052,772 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2018 were \$555,151 a 8.3% increase over the prior year, and expenses totaled \$620,190, a 20.2% increase over the prior year. The District's business type activities include the Daycare, School Nutrition and School Store Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,949,134, a 5.3% increase over last year's ending fund balance of \$1,850,275.

Governmental Fund Highlights

- The General Fund balance decreased from \$419,182 at June 30, 2017 to \$225,657 at June 30, 2018, due primarily to an increase in regular instruction, special instruction and administration expenditures.

- The Capital Projects Fund balance increased from \$1,150,503 at June 30, 2017 to \$1,434,336 at June 30, 2018. Expenditures decreased 59.5% from the prior year due to the District spending less on equipment and technology during the year ended June 30, 2018.

Proprietary Fund Highlights

The Daycare Fund net position decreased from a restated balance of \$104,532 at June 30, 2017 to \$17,867 at June 30, 2018. Revenues increased 13.1% due to an increase in charges for service. Expenses increased 26.4% due to added staffing and other unexpected expenses.

BUDGETARY HIGHLIGHTS

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 Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. No budget amendments were certified during fiscal year 2018.

The District's total revenues were \$83,518 less than budgeted revenues, a variance of 1.3%. The variance primarily resulted from the District receiving less revenue from local sources than originally anticipated.

Total expenditures were \$421,851 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested approximately \$4 million, net of accumulated depreciation, in a broad range of capital assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings not significantly depreciated, athletic facilities, computer and audio-visual equipment and vehicles. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$347,588.

The original cost of the District's capital assets was approximately \$9.1 million. Governmental funds account for approximately \$9 million of the District's capital assets, with the remaining \$.1 million accounted for in the Enterprise, School Nutrition Fund.

	Capital Assets, net of Depreciation							
	(expressed in thousands)							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
	2018	2017	2018	2017	2018	2017		
Land	\$ 31	31	-	-	31	31	-	0.0%
Construction in progress	-	1,109	-	-	-	1,109	(1,109)	-100.0%
Buildings	3,387	2,391	-	-	3,387	2,391	996	41.7%
Improvements other than buildings	295	321	-	-	295	321	(26)	-8.1%
Furniture and equipment	323	309	10	4	333	313	20	6.4%
Total	\$ 4,036	4,161	10	4	4,046	4,165	(119)	-2.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Local option sales and services tax revenues have a significant impact on building improvements.
- District enrollment increased by approximately 9.5% in fiscal year 2017/2018. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady in 2018-19.
- Grants are sought to help with educational improvements in the District.
- The one to one iPad and Macbook initiatives continue in the District for students.
- Several building and grounds improvements are being done to keep facilities in good condition.
- The Whole Grade Sharing agreements were renewed in 2019 for grades 7-12 with Boone and Ames School Districts providing an 8-year agreement.
- Several new homes and businesses have been added in the District and will continue to see this growth in future years.

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 John Chalstrom, Superintendent, or Jacob Ballard, Business Manager, United Community School District, 1284 U Ave, Boone, Iowa 50036.

United Community School District

Basic Financial Statements

United Community School District

United Community School District

Statement of Net Position

June 30, 2018

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,980,904	382,767	3,363,671
Receivables:			
Property tax:			
Delinquent	4,710	-	4,710
Succeeding year	2,493,000	-	2,493,000
Accounts	8,985	8,807	17,792
Due from other governments	787,615	-	787,615
Inventories	-	1,572	1,572
Capital assets, net of accumulated depreciation	4,036,165	10,022	4,046,187
Total assets	10,311,379	403,168	10,714,547
Deferred Outflows of Resources			
Pension related deferred outflows	579,512	84,727	664,239
Liabilities			
Accounts payable	116,654	11,499	128,153
Salaries and benefits payable	334,667	47,400	382,067
Due to other governments	1,208,079	-	1,208,079
Internal balances	5,593	(5,593)	-
Advances from grantors	1,650	-	1,650
Advances from student accounts	2,525	-	2,525
Advances for daycare fees	-	5,250	5,250
Unearned student meals	-	4,372	4,372
Long-term liabilities:			
Portion due within one year:			
Compensated absences	10,300	-	10,300
Portion due after one year:			
Total OPEB liability	1,646,645	123,248	1,769,893
Net pension liability	1,708,443	210,411	1,918,854
Total liabilities	5,034,556	396,587	5,431,143
Deferred Inflows of Resources			
Unavailable property tax revenue	2,493,000	-	2,493,000
Pension related deferred inflows	29,443	18,600	48,043
Total deferred inflows of resources	2,522,443	18,600	2,541,043
Net position			
Net investment in capital assets	4,036,165	10,022	4,046,187
Restricted for:			
Categorical funding	316,637	-	316,637
Management levy	289,029	-	289,029
Physical plant and equipment levy	718,145	-	718,145
School infrastructure	716,191	-	716,191
Student activities	112	-	112
Unrestricted	(2,742,387)	62,686	(2,679,701)
Total net position	\$ 3,333,892	72,708	3,406,600

See notes to financial statements.

United Community School District

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,124,462	823,511	441,717
Special instruction	971,094	335,652	18,954
Other instruction	297,694	2,290	102,304
	<u>4,393,250</u>	<u>1,161,453</u>	<u>562,975</u>
Support services:			
Student	112,504	-	-
Instructional staff	231,045	-	-
Administration	530,528	-	1,101
Operation and maintenance of plant	463,873	12,972	-
Transportation	280,214	-	-
	<u>1,618,164</u>	<u>12,972</u>	<u>1,101</u>
Other expenditures:			
AEA flowthrough	148,622	-	148,622
Depreciation (unallocated)*	245,279	-	-
	<u>393,901</u>	<u>-</u>	<u>148,622</u>
Total governmental activities	<u>6,405,315</u>	<u>1,174,425</u>	<u>712,698</u>
Business type activities:			
Daycare	492,100	403,022	-
Food service operations	126,886	78,765	68,650
School Store	1,204	1,857	-
Total business type activities	<u>620,190</u>	<u>483,644</u>	<u>68,650</u>
Total	<u>\$ 7,025,505</u>	<u>1,658,069</u>	<u>781,348</u>

General Revenues:

Property tax levied for:
General purposes
Capital outlay
Statewide sales, services and use tax
Income surtax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year, as restated
Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Business Type		
Activities	Activities	Total
(1,859,234)	-	(1,859,234)
(616,488)	-	(616,488)
(193,100)	-	(193,100)
<u>(2,668,822)</u>	<u>-</u>	<u>(2,668,822)</u>
(112,504)	-	(112,504)
(231,045)	-	(231,045)
(529,427)	-	(529,427)
(450,901)	-	(450,901)
(280,214)	-	(280,214)
<u>(1,604,091)</u>	<u>-</u>	<u>(1,604,091)</u>
-	-	-
<u>(245,279)</u>	<u>-</u>	<u>(245,279)</u>
<u>(245,279)</u>	<u>-</u>	<u>(245,279)</u>
<u>(4,518,192)</u>	<u>-</u>	<u>(4,518,192)</u>
-	(89,078)	(89,078)
-	20,529	20,529
-	653	653
<u>-</u>	<u>(67,896)</u>	<u>(67,896)</u>
<u>(4,518,192)</u>	<u>(67,896)</u>	<u>(4,586,088)</u>
\$ 2,173,132	-	2,173,132
456,925	-	456,925
336,290	-	336,290
180,708	-	180,708
1,052,772	-	1,052,772
1,518	2,857	4,375
50,112	-	50,112
<u>4,251,457</u>	<u>2,857</u>	<u>4,254,314</u>
(266,735)	(65,039)	(331,774)
<u>3,600,627</u>	<u>137,747</u>	<u>3,738,374</u>
<u>\$ 3,333,892</u>	<u>72,708</u>	<u>3,406,600</u>

United Community School District

Balance Sheet
Governmental Funds

June 30, 2018

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 1,178,619	1,513,305	288,980	2,980,904
Receivables:				
Property tax:				
Delinquent	3,726	823	161	4,710
Succeeding year	2,325,000	87,000	81,000	2,493,000
Accounts	8,985	-	-	8,985
Due from other governments	759,091	28,524	-	787,615
Total assets	\$ 4,275,421	1,629,652	370,141	6,275,214
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 8,338	108,316	-	116,654
Salaries and benefits payable	334,667	-	-	334,667
Due to other governments	1,208,079	-	-	1,208,079
Due to other funds	5,593	-	-	5,593
Advances from grantors	1,650	-	-	1,650
Advances from student accounts	2,525	-	-	2,525
Total liabilities	1,560,852	108,316	-	1,669,168
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,325,000	87,000	81,000	2,493,000
Other	163,912	-	-	163,912
Total deferred inflows of resources	2,488,912	87,000	81,000	2,656,912
Fund balances:				
Restricted for:				
Categorical funding	316,637	-	-	316,637
Management levy purposes	-	-	289,029	289,029
Student activities	-	-	112	112
School infrastructure	-	716,191	-	716,191
Physical plant and equipment	-	718,145	-	718,145
Unassigned	(90,980)	-	-	(90,980)
Total fund balances	225,657	1,434,336	289,141	1,949,134
Total liabilities, deferred inflows of resources and fund balances	\$ 4,275,421	1,629,652	370,141	6,275,214

See notes to financial statements.

United Community School District

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

June 30, 2018

Total fund balances of governmental funds (page 22) \$ 1,949,134

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 4,036,165

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 163,912

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	\$ 579,512	
Deferred inflows of resources	<u>(29,443)</u>	550,069

Long-term liabilities, including compensated absences payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(3,365,388)

Net position of governmental activities (page 19)

\$ 3,333,892

See notes to financial statements.

Exhibit E

United Community School District

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

Year ended June 30, 2018

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,266,778	456,925	89,885	2,813,588
Tuition	1,109,272	-	-	1,109,272
Other	53,830	2,909	12,991	69,730
State sources	1,661,924	349,001	2,643	2,013,568
Federal sources	116,411	-	-	116,411
Total revenues	5,208,215	808,835	105,519	6,122,569
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,861,191	25,893	56,235	2,943,319
Special instruction	930,113	-	-	930,113
Other instruction	297,694	-	-	297,694
	4,088,998	25,893	56,235	4,171,126
Support services:				
Student	100,815	-	-	100,815
Instructional staff	184,006	41,273	-	225,279
Administration	458,683	41,905	5,201	505,789
Operation and maintenance of plant	242,956	56,796	23,990	323,742
Transportation	177,660	134,289	11,542	323,491
	1,164,120	274,263	40,733	1,479,116
Other expenditures:				
Facilities acquisition	-	243,680	-	243,680
AEA flowthrough	148,622	-	-	148,622
	148,622	243,680	-	392,302
Total expenditures	5,401,740	543,836	96,968	6,042,544
Excess (deficiency) of revenues over (under) expenditures	(193,525)	264,999	8,551	80,025
Other financing sources:				
Proceeds from sale of equipment	-	13,875	-	13,875
Insurance proceeds	-	4,959	-	4,959
Total other financing sources	-	18,834	-	18,834
Change in fund balances	(193,525)	283,833	8,551	98,859
Fund balances beginning of year	419,182	1,150,503	280,590	1,850,275
Fund balances end of year	\$ 225,657	1,434,336	289,141	1,949,134

See notes to financial statements.

United Community School District

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

Year ended June 30, 2018

Change in fund balances - total governmental funds (page 24) \$ 98,859

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

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

Expenditures for capital assets	\$ 221,152	
Depreciation expense	<u>(345,532)</u>	(124,380)

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (2,823)

The current year District share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the Statement of Net Position. 178,808

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

Compensated absences	8,718	
OPEB expense	(168,074)	
Pension expense	<u>(257,843)</u>	<u>(417,199)</u>

Change in net position of governmental activities (page 21) \$ (266,735)

See notes to financial statements.

United Community School District

Statement of Net Position
Proprietary Funds

June 30, 2018

	Enterprise		
	Daycare	Nonmajor	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 300,253	82,514	382,767
Accounts receivable	4,556	4,251	8,807
Due from other funds	-	5,593	5,593
Inventories	-	1,572	1,572
Total current assets	304,809	93,930	398,739
Noncurrent assets:			
Capital assets, net of accumulated depreciation	-	10,022	10,022
Total assets	304,809	103,952	408,761
Deferred Outflows of Resources			
Pension related deferred outflows	75,759	8,968	84,727
Liabilities			
Current liabilities:			
Accounts payable	3,122	8,377	11,499
Salaries and benefits payable	47,400	-	47,400
Advances for daycare fees	5,250	-	5,250
Unearned student meals	-	4,372	4,372
Total current liabilities	55,772	12,749	68,521
Noncurrent liabilities:			
Total OPEB liability	110,009	13,239	123,248
Net pension liability	179,508	30,903	210,411
Total noncurrent liabilities	289,517	44,142	333,659
Total liabilities	345,289	56,891	402,180
Deferred inflows of resources			
Pension related deferred inflows	17,412	1,188	18,600
Net Position			
Net investment in capital assets	-	10,022	10,022
Unrestricted	17,867	44,819	62,686
Total net position	\$ 17,867	54,841	72,708

See notes to financial statements.

United Community School District

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

Year ended June 30, 2018

	Enterprise		
	Daycare	Nonmajor	Total
Local sources:			
Charges for service	\$ 401,486	80,287	481,773
Miscellaneous	1,536	335	1,871
Total operating revenues	403,022	80,622	483,644
Operating expenses:			
Instruction:			
Salaries	158,579	-	158,579
Benefits	94,810	-	94,810
Purchased services	9,071	-	9,071
Supplies	36,809	-	36,809
	299,269	-	299,269
Support services:			
Instructional staff :			
Purchased services	811	-	811
Transportation			
Supplies	1,173	-	1,173
	1,984	-	1,984
Non-instructional programs:			
Food service operations:			
Salaries	-	30,141	30,141
Benefits	-	15,646	15,646
Purchased services	-	2,040	2,040
Supplies	-	77,003	77,003
Depreciation	-	2,056	2,056
	-	126,886	126,886
	-	1,204	1,204
Community services operations:			
Salaries	128,330	-	128,330
Benefits	38,131	-	38,131
Purchased services	10,186	-	10,186
Supplies	14,200	-	14,200
	190,847	-	190,847
	190,847	128,090	318,937
Total operating expenses	492,100	128,090	620,190
Operating loss	(89,078)	(47,468)	(136,546)
Non-operating revenues:			
State sources	-	1,253	1,253
Federal sources	-	67,397	67,397
Interest income	2,413	444	2,857
Net non-operating revenues	2,413	69,094	71,507
Change in net position	(86,665)	21,626	(65,039)
Net position beginning of year, as restated	104,532	33,215	137,747
Net position end of year	\$ 17,867	54,841	72,708

See notes to financial statements.

United Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2018

	Enterprise		
	Daycare	Nonmajor	Total
Cash flows from operating activities:			
Cash received from daycare fees	\$ 396,365	-	396,365
Cash received from sale of lunches and breakfasts	-	77,774	77,774
Cash received from miscellaneous operating activities	1,536	2,192	3,728
Cash paid to employees for services	(378,179)	(43,304)	(421,483)
Cash paid to suppliers for goods or services	(70,986)	(63,453)	(134,439)
Net cash used by operating activities	(51,264)	(26,791)	(78,055)
Cash flows from non-capital financing activities:			
State grants received	-	1,253	1,253
Federal grants received	-	55,575	55,575
Net cash provided by non-capital financing activities	-	56,828	56,828
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(7,596)	(7,596)
Cash flows from investing activities:			
Interest on investments	2,413	444	2,857
Change in cash and cash equivalents	(48,851)	22,885	(25,966)
Cash and cash equivalents beginning of year	349,104	59,629	408,733
Cash and cash equivalents end of year	\$ 300,253	82,514	382,767

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (89,078)	(47,468)	(136,546)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	-	11,822	11,822
Depreciation	-	2,056	2,056
Increase in accounts receivable	(4,556)	(4,251)	(8,807)
Increase in due to other funds	-	(5,593)	(5,593)
Decrease in inventories	-	2,188	2,188
Increase in deferred outflows of resources	(25,807)	(1,354)	(27,161)
Increase in accounts payables	1,264	8,377	9,641
Increase in salaries and benefits payable	24,640	-	24,640
Increase in total OPEB liability	10,329	1,243	11,572
Decrease in advances for daycare fees	(565)	-	(565)
Increase in unearned student meals	-	3,595	3,595
Increase in net pension liability	17,993	2,001	19,994
Increase in deferred inflows of resources	14,516	593	15,109
Net cash used by operating activities	\$ (51,264)	(26,791)	(78,055)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2018, the District received \$11,822 of federal commodities.

See notes to financial statements.

United Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2018

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 2,013</u>
Liabilities	
Due to other groups	<u>\$ 2,013</u>

See notes to financial statements.

United Community School District

United Community School District

Notes to Financial Statements

Year ended June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, United 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. United Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

The Enterprise, Daycare Fund is used to account for the daycare operations of the District.

The District also reports a fiduciary fund, which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District 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 year are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

Due from and Due to Other Funds – During the course of its operations, the District has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements and as internal balances in the government-wide Statement of Net Position.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	1,000
Machinery and Equipment:	
School Nutrition Fund	500
Other	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5 -12 years

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

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

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Advances from Student Accounts – Student registration fees which have been received by the District, but for which goods or services will be provided in the succeeding fiscal year.

Advances for Daycare Fees – Daycare fees which have been received by the District but for which goods or services will be provided in the succeeding fiscal year.

Unearned Student Meals – Unearned revenues are funds collected for lunches which have not yet been served. The lunch account balances will either be reimbursed or served as lunches.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents 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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

At June 30, 2018, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$337,314 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

At June 30, 2018, the General Fund owed the Enterprise, School Nutrition Fund \$5,593 for expenses paid out of the Enterprise, School Nutrition Fund which should have been charged to the General Fund.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,821	-	-	30,821
Construction in progress	1,109,251	65,273	(1,174,524)	-
Total capital assets not being depreciated	1,140,072	65,273	(1,174,524)	30,821
Capital assets being depreciated:				
Buildings and improvements	4,721,083	1,215,418	-	5,936,501
Improvements other than buildings	892,089	-	-	892,089
Furniture and equipment	2,068,924	114,985	-	2,183,909
Total capital assets being depreciated	7,682,096	1,330,403	-	9,012,499
Less accumulated depreciation for:				
Buildings	2,329,715	219,475	-	2,549,190
Improvements other than buildings	571,505	25,804	-	597,309
Furniture and equipment	1,760,403	100,253	-	1,860,656
Total accumulated depreciation	4,661,623	345,532	-	5,007,155
Total capital assets being depreciated, net	3,020,473	984,871	-	4,005,344
Governmental activities capital assets, net	\$ 4,160,545	1,050,144	(1,174,524)	4,036,165
Business type activities:				
Furniture and equipment	\$ 110,501	7,596	-	118,097
Less accumulated depreciation	106,019	2,056	-	108,075
Business type activities capital assets, net	\$ 4,482	5,540	-	10,022

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 34,953
Special	640

Support services:

Student	519
Instructional staff	252
Administration	6,565
Operation and maintenance of plant	9,885
Transportation	47,439

Unallocated

Total depreciation expense - governmental activities

100,253
245,279
<u>\$ 345,532</u>

Business type activities:

Food service operations

<u>\$ 2,056</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 19,018	32,200	40,918	10,300	10,300
Net pension liability	1,575,695	132,748	-	1,708,443	-
Total OPEB liability	1,478,571	168,074	-	1,646,645	-
Total	\$ 3,073,284	333,022	40,918	3,365,388	10,300

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 190,417	19,994	-	210,411	-
Total OPEB liability	111,676	11,572	-	123,248	-
Total	\$ 302,093	31,566	-	333,659	-

(6) Pension Plans

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2018 totaled \$205,727.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of \$1,918,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's collective proportion was 0.028806%, which was a decrease of 0.000743% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$292,705. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,617	16,625
Changes of assumptions	333,408	-
Net difference between projected and actual earnings on IPERS' investments	-	20,041
Changes in proportion and differences between District contributions and proportionate share of contributions	107,487	11,377
District contributions subsequent to the measurement date	205,727	-
Total	<u>\$ 664,239</u>	<u>48,043</u>

\$205,727 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 74,334
2020	172,456
2021	114,580
2022	24,163
2023	24,936
Total	<u>\$ 410,469</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed 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, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 3,161,502	1,918,854	874,791

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

Payables to IPERS – All legally required District contributions and legally required employee contributions which had been withheld from employee wages were remitted by the District to IPERS by June 30, 2018.

(7) Other Postemployment Benefits (OPEB)

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

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

In addition, the District offers a voluntary early retirement plan for employees, which is included in the OPEB liability. The early retirement benefits consist of the District contributions toward the retiree’s premiums to continue participation in the Districts health insurance plan until they reach age 65.

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

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>51</u>
Total	<u>55</u>

Total OPEB Liability – The District’s total OPEB liability of \$1,769,893 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

Rate of inflation (effective June 30, 2018)	2.00% per annum.
Rates of salary increase (effective June 30, 2018)	2.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.62% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.90% per year.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.62% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the Life Expectancy Table from the National Center for Health Statistics updated in 2015. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	\$ 1,590,247
Changes for the year:	
Service cost	176,046
Interest	57,567
Assumption changes	(6,850)
Benefit payments	(47,117)
Net changes	179,646
Total OPEB liability end of year	\$ 1,769,893

Changes of assumptions reflect a change in the discount rate from 3.56% in fiscal year 2017 to 3.62% in fiscal year 2018.

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

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 1,886,491	1,769,893	1,110,455

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.90%) or 1% higher (7.90%) than the current healthcare cost trend rates.

	1% Decrease (5.90%)	Healthcare Cost Trend Rate (6.90%)	1% Increase (7.90%)
Total OPEB liability	\$ 1,615,968	1,769,893	1,947,807

OPEB Expense – For the year ended June 30, 2018, the District recognized OPEB expense of \$179,646. Under the alternative measurement method, all deferred outflows and inflows of resources related to OPEB are fully recognized immediately.

(8) Risk Management

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

(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 \$148,622 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Tax Abatements

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

Tax Abatements of Other Entities

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

Entitiy	Tax Abatement Program	Amount of Tax Abated
City of Boone	Urban renewal and economic development projects	\$ 2,376
Boone County	Urban renewal and economic development projects	\$ 118,362

(11) Categorical Funding

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Program	Amount
Limited english proficient	\$ 8,200
Home school assistance	78,110
Returning dropouts and dropout prevention programs	43,136
Teacher leadership	1,527
Four-year-old preschool	127,332
Transportation assistance	1,254
Market factor	19
Iowa early intervention block grant	17,936
Successful progression for early readers	20,762
Professional development for model core curriculum	8,615
Professional development	9,512
Governors advisory council STEM scale-up programs	234
	<u>\$ 316,637</u>

(12) Deficit Balance

The General Fund had a deficit unassigned fund balance of \$90,980 at June 30, 2018.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized unless the District has chosen to use the alternative measurement method. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, if applicable. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities	Business Type Activities	Proprietary Funds	
			Daycare	School Nutrition
Net position June 30, 2017, as previously reported	\$ 4,704,372	218,286	178,199	29,119
OPEB obligation measured under previous standards	231,624	31,137	26,013	5,124
Termination benefits at June 30, 2017	143,202	-	-	-
Total OPEB liability at June 30, 2017	<u>(1,478,571)</u>	<u>(111,676)</u>	<u>(99,680)</u>	<u>(11,996)</u>
Net position July 1, 2017, as restated	<u>\$ 3,600,627</u>	<u>137,747</u>	<u>104,532</u>	<u>22,247</u>

Required Supplementary Information

United 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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 3,992,590	486,501	4,479,091
State sources	2,013,568	1,253	2,014,821
Federal sources	116,411	67,397	183,808
Total revenues	6,122,569	555,151	6,677,720
Expenditures/Expenses:			
Instruction	4,171,126	299,269	4,470,395
Support services	1,479,116	1,984	1,481,100
Non-instructional programs	-	318,937	318,937
Other expenditures	392,302	-	392,302
Total expenditures/expenses	6,042,544	620,190	6,662,734
Excess (deficiency) of revenues over (under) expenditures/expenses	80,025	(65,039)	14,986
Other financing sources, net	18,834	-	18,834
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	98,859	(65,039)	33,820
Balances beginning of year	1,850,275	137,747	1,988,022
Balances end of year	\$ 1,949,134	72,708	2,021,842

See accompanying independent auditor's report.

Original/ Final Budgeted Amounts	Budget to Net Variance
4,337,404	141,687
2,050,312	(35,491)
206,486	(22,678)
6,594,202	83,518
4,150,262	(320,133)
1,618,265	137,165
259,681	(59,256)
1,056,377	664,075
7,084,585	421,851
(490,383)	505,369
6,016	12,818
(484,367)	518,187
3,206,291	(1,218,269)
2,721,924	(700,082)

United Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2018

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

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

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

During the year ended June 30, 2018, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions.

United Community School District

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

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

Required Supplementary Information

	2018	2017	2016	2015
District's proportion of the net pension liability	0.028806%	0.028063%	0.026289%	0.027172%
District's proportionate share of the net pension liability	\$ 1,919	1,766	1,299	1,078
District's covered payroll	\$ 2,161	2,010	1,801	1,780
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.81%	87.86%	72.13%	60.56%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

United Community School District
Schedule of District IPERS Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 206	193	179	161
Contributions in relation to the statutorily required contribution	(206)	(193)	(179)	(161)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 2,304	2,161	2,010	1,801
Contributions as a percentage of covered payroll *	8.93%	8.93%	8.93%	8.93%

* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to nearest thousandth.

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
159	147	131	108	111	108
(159)	(147)	(131)	(108)	(111)	(108)
-	-	-	-	-	-
1,780	1,695	1,629	1,551	1,669	1,650
8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

United Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

United Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes
For the Current Year
Required Supplementary Information

	2018
Service cost	\$ 176,046
Interest cost	57,567
Assumption changes	(6,850)
Benefit payments	(47,117)
Net change in total OPEB liability	179,646
Total OPEB liability beginning of year, as restated	1,590,247
Total OPEB liability end of year	\$ 1,769,893
Covered-employee payroll	\$ 1,676,648
Total OPEB liability as a percentage of covered-employee payroll	105.6%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.62%
Year ended June 30, 2017	3.56%

United Community School District

Supplementary Information

Schedule 1

United Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	<u>Special Revenue</u>		
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity *</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 288,868	112	288,980
Receivables:			
Property tax:			
Delinquent	161	-	161
Succeeding year	81,000	-	81,000
Total assets	\$ 370,029	112	370,141
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	81,000	-	81,000
Fund equity:			
Fund balances:			
Restricted for:			
Management levy purposes	289,029	-	289,029
Student activities	-	112	112
Total fund balances	289,029	112	289,141
Total liabilities, deferred inflows of resources and fund balances	\$ 370,029	112	370,141

* The Special Revenue, Student Activity Fund is comprised of only one account, the Student Council.

See accompanying independent auditor's report.

United Community School District

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

Year ended June 30, 2018

	Special Revenue		
	Management Levy	Student Activity *	Total
Revenues:			
Local sources:			
Local tax	\$ 89,885	-	89,885
Other	12,991	-	12,991
State sources	2,643	-	2,643
Total revenues	105,519	-	105,519
Expenditures:			
Current:			
Instruction:			
Regular	56,235	-	56,235
Support services:			
Administration	5,201	-	5,201
Operation and maintenance of plant	23,990	-	23,990
Transportation	11,542	-	11,542
Total expenditures	96,968	-	96,968
Change in fund balances	8,551	-	8,551
Fund balances beginning of year	280,478	112	280,590
Fund balances end of year	\$ 289,029	112	289,141

* The Special Revenue, Student Activity Fund is comprised of only one account, the Student Council.

See accompanying independent auditor's report.

Schedule 3

United Community School District
Combining Schedule of Net Position
Nonmajor Proprietary Funds

June 30, 2018

	Enterprise		
	School Nutrition	School Store	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 70,893	11,621	82,514
Accounts receivable	4,251	-	4,251
Due from other funds	5,593	-	5,593
Inventories	1,572	-	1,572
Total current assets	82,309	11,621	93,930
Noncurrent assets:			
Capital assets, net of accumulated depreciation	10,022	-	10,022
Total assets	92,331	11,621	103,952
Deferred Outflows of Resources			
Pension related deferred outflows	8,968	-	8,968
Liabilities			
Current liabilities:			
Accounts payable	8,377	-	8,377
Unearned student meals	4,372	-	4,372
Total current liabilities	12,749	-	12,749
Noncurrent liabilities:			
Total OPEB liability	13,239	-	13,239
Net pension liability	30,903	-	30,903
Total noncurrent liabilities	44,142	-	44,142
Total liabilities	56,891	-	56,891
Deferred inflows of resources			
Pension related deferred inflows	1,188	-	1,188
Net Position			
Net investment in capital assets	10,022	-	10,022
Unrestricted	33,198	11,621	44,819
Total net position	\$ 43,220	11,621	54,841

See notes to financial statements.

United Community School District

Combining Schedule of Revenues, Expenses
and Changes in Fund Balances
Nonmajor Proprietary Funds

Year ended June 30, 2018

	Enterprise		
	School Nutrition	School Store	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 78,430	1,857	80,287
Miscellaneous	335	-	335
Total operating revenues	<u>78,765</u>	<u>1,857</u>	<u>80,622</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	30,141	-	30,141
Benefits	15,646	-	15,646
Purchased services	2,040	-	2,040
Supplies	77,003	-	77,003
Depreciation	2,056	-	2,056
	<u>126,886</u>	<u>-</u>	<u>126,886</u>
Other - Supplies	-	1,204	1,204
Total operating expenses	<u>126,886</u>	<u>1,204</u>	<u>128,090</u>
Operating income (loss)	<u>(48,121)</u>	<u>653</u>	<u>(47,468)</u>
Non-operating revenues:			
State sources	1,253	-	1,253
Federal sources	67,397	-	67,397
Interest income	444	-	444
Net non-operating revenues	<u>69,094</u>	<u>-</u>	<u>69,094</u>
Change in net position	20,973	653	21,626
Net position beginning of year, as restated	<u>22,247</u>	<u>10,968</u>	<u>33,215</u>
Net position end of year	<u>\$ 43,220</u>	<u>11,621</u>	<u>54,841</u>

See notes to financial statements.

Schedule 5

United Community School District
 Combining Schedule of Cash Flows
 Nonmajor Proprietary Funds

June 30, 2018

	Enterprise		Total
	School Nutrition	School Store	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 77,774	-	77,774
Cash received from miscellaneous operating activities	335	1,857	2,192
Cash paid to employees for services	(43,304)	-	(43,304)
Cash paid to suppliers for goods or services	(62,249)	(1,204)	(63,453)
Net cash provided (used) by operating activities	(27,444)	653	(26,791)
Cash flows from non-capital financing activities:			
State grants received	1,253	-	1,253
Federal grants received	55,575	-	55,575
Net cash provided by non-capital financing activities	56,828	-	56,828
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(7,596)	-	(7,596)
Cash flows from investing activities:			
Interest on investments	444	-	444
Change in cash and cash equivalents	22,232	653	22,885
Cash and cash equivalents beginning of year	48,661	10,968	59,629
Cash and cash equivalents end of year	\$ 70,893	11,621	82,514
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (48,121)	653	(47,468)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Commodities used	11,822	-	11,822
Depreciation	2,056	-	2,056
Increase in accounts receivable	(4,251)	-	(4,251)
Increase in due to other funds	(5,593)	-	(5,593)
Decrease in inventories	2,188	-	2,188
Increase in deferred outflows of resources	(1,354)	-	(1,354)
Increase in accounts payables	8,377	-	8,377
Increase in total OPEB liability	1,243	-	1,243
Increase in unearned student meals	3,595	-	3,595
Increase in net pension liability	2,001	-	2,001
Increase in deferred inflows of resources	593	-	593
Net cash used by operating activities	\$ (27,444)	653	(26,791)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2018, the District received \$11,822 of federal commodities.

See notes to financial statements.

United Community School District

Combining Balance Sheet
Capital Projects Accounts

June 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 713,560	799,745	1,513,305
Receivables:			
Property tax:			
Delinquent	-	823	823
Succeeding year	-	87,000	87,000
Due from other governments	28,524	-	28,524
Total assets	\$ 742,084	887,568	1,629,652
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 25,893	82,423	108,316
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	87,000	87,000
Fund balances:			
Restricted for:			
School infrastructure	716,191	-	716,191
Property, plant and equipment	-	718,145	718,145
Total fund balances	716,191	718,145	1,434,336
Total liabilities, deferred inflows of resources and fund balances	\$ 742,084	887,568	1,629,652

See accompanying independent auditor's report.

Schedule 7

United Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	456,925	456,925
Other	889	2,020	2,909
State sources	336,290	12,711	349,001
Total revenues	337,179	471,656	808,835
Expenditures:			
Instruction:			
Regular instruction	25,893	-	25,893
Support services:			
Instructional staff services	-	41,273	41,273
Administration	-	41,905	41,905
Operation and maintenance of plant	-	56,796	56,796
Transportation	-	134,289	134,289
	-	274,263	274,263
Other expenditures:			
Facilities acquisition	130,202	113,478	243,680
Total expenditures	156,095	387,741	543,836
Excess of revenues over expenditures	181,084	83,915	264,999
Other financing sources:			
Proceeds from sale of equipment	-	13,875	13,875
Insurance proceeds	-	4,959	4,959
Total other financing sources	-	18,834	18,834
Change in fund balances	181,084	102,749	283,833
Fund balances beginning of year	535,107	615,396	1,150,503
Fund balances end of year	\$ 716,191	718,145	1,434,336

See accompanying independent auditor's report.

United Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2018

	Balance			Balance
	Beginning			End
	of Year	Additions	Deductions	of Year
Assets				
Cash and pooled investments	\$ 2,013	-	-	2,013
Liabilities				
Due to other groups	\$ 2,013	-	-	2,013

See accompanying independent auditor's report.

United Community School District

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

For the Last Ten Years

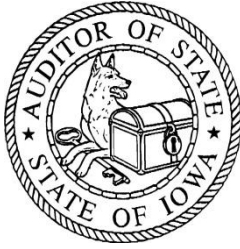
	2018	2017	2016	Modified 2015
Revenues:				
Local sources:				
Local tax	\$ 2,813,588	2,393,142	2,243,378	2,524,202
Tuition	1,109,272	113,537	972,292	649,740
Other	69,730	64,485	86,555	82,201
State sources	2,013,568	1,842,071	1,716,575	1,572,862
Federal sources	116,411	105,484	137,379	125,685
Total	<u>\$ 6,122,569</u>	<u>4,518,719</u>	<u>5,156,179</u>	<u>4,954,690</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,943,319	2,786,198	2,607,722	2,417,977
Special instruction	930,113	799,962	764,749	407,276
Other instruction	297,694	269,907	319,236	271,778
Support services:				
Student	100,815	97,112	113,088	96,914
Instructional staff	225,279	226,688	298,898	79,509
Administration	505,789	470,811	398,186	381,556
Operation and maintenance of plant	323,742	406,740	307,950	404,631
Transportation	323,491	234,062	235,447	331,766
Non-instructional programs	-	3,313	2,871	-
Other expenditures:				
Facilities acquisition	243,680	1,020,043	167,064	259,304
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	148,622	132,507	130,587	128,106
Total	<u>\$ 6,042,544</u>	<u>6,447,343</u>	<u>5,345,798</u>	<u>4,778,817</u>

Beginning in 2014, the Iowa Department of Education modified the coding of the statewide sales, services and use tax revenue from local tax to state sources.

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
2,895,205	3,286,160	2,968,397	2,657,694	2,245,354	2,252,265
799,572	604,696	511,340	440,537	270,840	1,285,106
53,892	40,402	45,319	70,046	28,478	69,073
1,516,389	100,663	1,220,982	980,933	920,094	1,053,580
129,255	363,556	122,180	168,860	314,723	138,014
5,394,313	4,395,477	4,868,218	4,318,070	3,779,489	4,798,038
2,265,293	2,165,225	2,149,335	2,119,282	2,128,118	2,744,751
569,783	443,192	423,284	455,575	400,274	430,722
307,690	309,556	291,156	290,275	228,099	240,073
77,554	91,097	93,281	99,568	109,753	96,907
106,489	353,149	54,983	66,147	67,827	112,514
359,275	403,017	400,067	477,431	490,145	486,215
310,902	309,332	263,707	312,755	744,751	289,359
265,176	298,038	216,910	287,185	281,635	207,401
-	19	-	2,323	-	-
441,307	951,396	334,508	381,361	-	182,677
-	25,018	24,012	22,512	26,272	-
-	1,682	3,182	4,682	922	-
124,448	117,558	121,058	133,949	134,797	126,184
4,827,917	5,468,279	4,375,483	4,653,045	4,612,593	4,916,803

United Community School District



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 United Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of United Community School District as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 14, 2019.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

Compliance and Other Matters

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

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

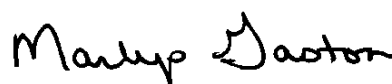
United Community School District's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

June 14, 2019

United Community School District

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – One individual has control over one or more of the following areas for the District:

- 1) Cash – handling and recording cash, posting and reconciling.
- 2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories – ordering, receiving, issuing and storing.
- 4) Receipts – collecting, recording, depositing, posting and reconciling.
- 5) Disbursements – purchase order processing, check preparation, mailing and recording.
- 6) Capital assets – recording and reconciling.
- 7) Payroll – entering rates into the system, recordkeeping, preparation, posting, and distribution.
- 8) Financial reporting – preparing, reconciling and approving.
- 9) Computer system – performing all general accounting functions and controlling all data input and output.
- 10) Journal entries – writing, approving and posting.

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

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

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. The District should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Response – The United Community School District Administration and Board of Education will continue work on ways to find stronger controls in this area. Due to the size of the District and staff, it is difficult to be free of the segregation of duties comment. The District will look at areas of operational sharing possibilities for business office functions as the District is in a financial position to do so.

Conclusion – Response accepted.

(B) Capital Assets

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements. It is the District's policy to update the capital asset management system monthly to account for the acquisition, disposal or relocation of capital assets. It is the responsibility of the Superintendent to count and reconcile the capital assets within the system at year end.

Condition – The capital asset management system was not updated monthly and the assets were not counted and reconciled at year end. There were no assets deleted during the year, however, during completeness testing at fieldwork, seven of 20 items could not be located and were believed to have been disposed of, but there were no deletion documents. All assets were fully depreciated at year end. In addition, another asset was believed to be disposed of and was included on the listing twice.

Cause – The District currently has a policy for updating the capital asset management system monthly to account for additions and deletions and for counting and reconciling assets within the system at year end. This policy is not being complied with. In addition, there is no independent review of the capital asset management system to determine whether capital assets exist and have been properly included on the capital asset listing.

Effect – The lack of following the established policies result in the District not detecting errors in the normal course of performing their assigned functions.

Recommendation – The District should follow established policies and update the capital asset management system monthly and ensure a complete observation of assets is conducted at year end and reconciled to the system. The capital asset management system should then be updated and corrected as necessary.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Response – In May 2019, the staff will be completing a room inventory to be verified with what is on the capital asset spreadsheet as well as updating the capital asset module in the accounting software package. Once this has been completed and updated, this staff will continue to provide an update annually on the capital assets in the room inventory. The directors of each area of oversight will provide an inventory and assist in the location of the higher dollar valued assets. The Board of Education will annually review a list of items which will be disposed and the Board of Education will approve this before assets are disposed. The Board of Education and the Administration are working to achieve a full inventory listing for the District before the fiscal year end of June 30, 2019.

Conclusion – Response accepted.

(C) Financial Reporting

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

Condition – The District classified all payments made in the accrual period as “accounts payable” rather than “due to other governments.” In addition, the District did not make adjustments in the Enterprise, School Nutrition Fund for meal accounts receivables or for those accounts which had funds remaining at year end. Therefore, accounts receivable and unearned student meals balances were not current. The District also did not record the accounts receivable balances outstanding at June 30, 2018 for preschool and childcare dues in the Enterprise, Daycare Fund. Also, the District did not adjust the balance reported as inventory in the Enterprise, School Nutrition Fund based on the year end listing.

Cause – District policies do not require and procedures have not been established to require the independent review of year end cut off transactions to ensure the District’s financial statements are accurate and reliable.

Effect – The lack of policies and procedures resulted in District employees not detecting the errors in the normal course of performing their assigned functions. As a result, adjustments to the District’s financial statements were necessary.

Recommendation – The District should implement procedures to require independent review of year end cut off transactions to ensure all payables, receivables, unearned balances and inventory are properly recorded in the financial statements.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Response – The accounts payable account to intergovernmental agencies was never an account available in the accounting software chart of accounts to be used for splitting the activity between payments to governmental agencies and other accounts payable activity. This will now be used going forward when reporting the payments to governmental agencies rather than being bulked in for all accounts payable at year end. A cut-off period will be established for the Enterprise Funds and will be done in a timely manner for the accuracy of closing out the fiscal year. With the changing of administration at fiscal year-end, this process was missed. In the future, we will have all documentation printed out as well as emailed to the Business Manager for year-end accuracy.

Conclusion – Response accepted.

(D) Credit Card Expenditures

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The District has credit cards for use by various employees while on District business. The District has adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, four of 50 credit card transactions tested did not include supporting documentation to support credit card charges. In addition, three of those four transactions were not properly approved by the District Superintendent. One additional transaction was for meals for multiple people. The receipt did not specify the employee present or identify that individual's meal amount.

Cause – The District did not follow its policy to ensure all credit card transactions were properly supported with adequate documentation and were properly approved by the Superintendent. The District's policy does not include a provision requiring a receipt with meals for multiple people to identify the employee present and their meal.

Effect – Not following the established policy could result in unauthorized and unsupported transactions and the opportunity for misappropriation. The lack of policies and procedures regarding meals for multiple people could result in meals for non-District persons and the opportunity for misappropriation.

Recommendation – The District should follow the established policies and ensure all credit card transactions are properly supported by adequate documentation and are properly approved. The District should also include in their credit card policy the requirement for meal receipts for multiple people to include details of the employee present and their meal.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Response – With the changing of administration in fiscal year 2019, the credit card usage was reduced dramatically and requires a purchase order request prior to purchases being made. The business office also advised staff to see if the vendors will take a purchase order number rather than credit card to be more in line with District board policy in payment of bills. The majority of the Board of Education was disappointed that only 50 credit card transactions were tested, due to the detail and fore warning of possible credit card misuse discussed at the beginning of the audit.

Conclusion – Response acknowledged.

(E) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the District's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and helps ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The District does not have a written policy for requiring password changes because the District's software does not require the user to change log-ins/passwords periodically.

In addition, although the District has adopted a written disaster recovery plan, the plan does not include many recommended policies including requiring back-up tapes be stored off site daily in a fire proof vault or safe and adequate testing of the plan.

Cause – Management has not required written policies for the above computer based controls, off site storage for back-up tapes or adequate testing of the disaster recovery plan.

Effect – Lack of written policies for the computer based system could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a complete disaster recovery plan could result in the District's inability to function in the event of a disaster or continue District business without interruption. Storing back-up tapes off-site helps ensure financial and other information is readily available in the case of a disaster or emergency and adequate testing of the plan ensures it is reliable.

Recommendation – The District should develop written policies addressing changing passwords in order to improve the District's control over its computer system. A complete written disaster recovery plan should also be developed, back-up tapes should be stored off site daily in a fireproof vault or safe and the plan should be tested.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Response – The District will develop policies addressing the changing of passwords more frequently for better computer system controls. The District has implemented a back up service nightly on the Business Office computers to back these up to an offsite storage once for system recovery. The District tested this back up service when the server crashed on September 17, 2018 and all business server data needed was restored. The District will work on completing the written disaster recovery plan to include these items addressed in the audit.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Other Findings Related To Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2018 exceeded the amounts budgeted in the instruction and non-instructional programs functions.

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

Response – The District will re-evaluate the certified budget and make amendments at the time of budgeting for the next certified budget year. The District did make a budget amendment for fiscal year 2019 to ensure estimated year end expenditures will be in line with the certified budget functions.

Conclusion – Response accepted.

- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Papa Johns	Pizzas and pop for staff for parent teacher conferences	\$ 287
Sam's Club	Supplies for Wellness Committee potluck	112

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board of Education should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the District should establish written policies and procedures, including the requirement for proper documentation.

Response – United CSD will establish written policies regarding the use of public dollars that are used properly with the public purpose requirement. The majority of the Board of Education felt not enough items were tested with similar purchase activity to show misuse of school funds.

Conclusion – Response acknowledged. Article III, Section 31 of the Constitution of the State of Iowa states in part, “No public money or property shall be appropriated for local or private purposes...”. An Attorney General’s Opinion (AGO) dated April 25, 1979, referred to above, discusses the concept of public purpose and states, “public funds may only be spent for public benefit.” Neither of these legal sources allows for a minimum number or amount of public funds which may be spent for a private purpose. Spending even \$1 of public funds for a private, non-public purpose, violates the Iowa Constitution.

United Community School District

Schedule of Findings

Year ended June 30, 2018

According to the AGO, in all cases, the burden of proof falls upon the governing body to determine and document public purpose prior to authorizing payments. The AGO also states, "it is the motive for the expenditure that may insulate an officer from criminal liability." We recommend the Board document the "public purpose served" (i.e., motive) through written Board policy or on an individual transaction basis.

- (3) 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.
- (4) Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brenda Stanley, Board Member, Substitute Teacher	Services	\$ 886

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member do not represent a conflict of interest since they were less than \$2,500.

- (5) Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- (10) Certified Annual Report – The District's Certified Annual Report was filed with the Iowa Department of Education timely.
- (11) Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

United Community School District

Schedule of Findings

Year ended June 30, 2018

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. For the year ended June 30, 2018, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	535,107
Revenue:			
Statewide sales, services and use tax	\$	336,290	
Interest on investments		<u>889</u>	337,179
Expenditures:			
School infrastructure construction		130,202	
Other		<u>25,893</u>	<u>156,095</u>
Ending balance			<u>\$ 716,191</u>

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

- (13) Financial Condition – The General Fund had a deficit unassigned fund balance of \$90,980 at June 30, 2018.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return the fund to sound financial position.

Response – The negative unassigned fund balance of \$90,980 in the General Fund will be adjusted in fiscal year 2019, as some expenditures, categorical in nature, were not expended to the categorical funds, resulting in high categorical balances and a negative unassigned fund balance.

Conclusion – Response accepted.

- (14) Physical Plant and Equipment Levy (PPEL) Expenditures – Certain expenditures we believe may not meet the allowability requirements of Chapter 298.3 of the Code of Iowa to be paid from PPEL funds were noted. These expenditures are detailed as follows:

<u>Purpose</u>	<u>Amount</u>
780 replacement LED lights	\$ 5,850
Paint for the art room	723
IPAD chargers, cables and cases, without equipment purchases	701
Tools for transportation department	619
60 removable combination locks with eight master keys	532
Roof repair	<u>182</u>
	<u>\$ 8,607</u>

Recommendation – The District should review the expenditures and make corrective transfers from the General Fund to the Special Revenue, PPEL Fund for expenditures which are not allowable from PPEL. The District should ensure PPEL funds are spent in accordance with Chapter 298.3 of the Code of Iowa.

United Community School District

Schedule of Findings

Year ended June 30, 2018

Response – The District will have the General Fund pay the PPEL fund back in fiscal year 2019 and make the corrective transfers. The District will review all purchases prior to the end of the fiscal year to ensure the purchases are an allowable PPEL use.

Conclusion – Response accepted.

- (15) Backpack Buddies Program Expenditures – The Backpack Buddies Program provides nutritional support for disadvantaged students. However, certain expenditures out of the General Fund may not meet the requirements of public purpose due to spending public funds for private purposes. We identified \$2,343 in General Fund expenditures for supplies for this program.

Recommendation – The Board of Education should determine and document the public purpose served by these expenditures before authorizing any further payments. The District should work with the Food Bank of Iowa or local nonprofit entities which provide similar programs rather than accept cash donations. If items were donated and ready to be put into the backpacks, the District could help facilitate getting these donated supplies to students.

Response – In fiscal year 2019, the District requested this activity go through the PTO organization since the activity of the donations reflects those for a 501C3 organization. The activity was questioned in fiscal year 2019 and the balance will be paid out by June 30, 2019 to the PTO organization to run this program going forward.

Conclusion – Response accepted.

United Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Pamela J. Bormann, CPA, Manager
Nicole L. Roethlisberger, Senior Auditor
Mark W. Hart, Assistant Auditor
Taran E. McCusker, Assistant Auditor
Ethan M. Snedigar, Assistant Auditor