

Management Discussion and Analysis

The West Hancock 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, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

General Fund revenues for fiscal 2020 were \$6,862,962 while General Fund expenditures were \$6,888,238; this resulted in a decrease in the District's General Fund balance from \$1,305,093 in fiscal 2019 to \$1,268,719 in fiscal 2020, or a \$36,374 decrease from the prior year.

The balance was relatively consistent with the prior year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.

The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Government-wide Financial Statements

The government-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. 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 statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 it cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds 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. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

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 statements.

- The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund.

Financial Analysis of the District as a Whole

Net assets. - Figure A-1 below provides a summary of the District's net assets for the year ended June 30, 2020, compared to June 30, 2019.

Figure A-1
Condensed Statement of Net Assets (in millions of dollars) June 30, 2020

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2020	2019	2020	2019	2020	2019
Current and other assets	6.950	7.169	.059	.061	7.009	7.230
Capital assets	9.180	8.867	.007	.009	9.187	8.876
Total assets	16.130	16.036	.066	.070	16.196	16.106
Deferred outflows of resources	.768	.937	.018	.022	.786	.959
Long-term debt outstanding	4.980	5.320	.087	.093	5.067	5.413
Other liabilities	.243	.584	.012	.006	.255	.590
Total liabilities	5.223	5.904	.099	.099	5.322	6.003
Deferred Inflows of Resources	3.893	3.437	.013	.005	3.906	3.442
Net assets						
Invested in capital assets, net of related debt	7.488	7.112	.007	.009	7.495	7.121
Restricted	1.963	1.949	-	-	1.963	1.949
Unrestricted	(1.668)	.1429	(.036)	(.021)	(1.704)	(1.450)
Total net assets	7.783	7.632	(.029)	(.012)	7.754	7.620

Changes in net assets – Figure A-2 shows the changes in net assets for the year ended June 30, 2020.

	Governmental Activities		Business-type Activities		Total School District	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Revenues					
Program revenues						
Charges for services	.817	.803	.098	.121	.915	.924
Operating Grants & Contributions	1.325	1.337	.148	.175	1.473	1.512
Capital Grants & Contributions	-	-	-	-	-	-
General revenues						
Property Taxes & Other Local Taxes	4.085	4.375	-	-	4.085	4.375
Unrestricted State Aid	2.090	2.014	-	-	2.090	2.014
Other	.197	.159	.001		.198	.159
Transfers	(.014)		.014		.000	.000
Total revenues	8.500	8.688	.261	.296	8.761	8.984
Expenses						
Instruction	5.167	5.039	-	-	5.167	5.039
Support Services	2.410	2.283	-	-	2.410	2.283
Non-instructional programs	-	-	.278	.292	.278	.292
Other	.868	1.014	-	-	.868	1.014
Total expenses	8.445	8.336	.278	.292	8.723	8.628
Increase (decrease) in net assets	.055	.352	(.017)	.004	.211	.356

Property tax, income surtax, sales taxes and state foundation aid account for 73 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 88 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,500,167 and expenses were \$8,444,709. This resulted in an increased budget balance.

Figure A-3 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-3
Net Cost of Governmental Activities (in millions of dollars)

	Total Cost Services <u>2020</u>	Net Cost of of Services <u>2020</u>
Instruction	\$5.167	\$ 3.578
Pupil & Instructional Services	.425	.253
Administrative & Business	.854	.849
Maintenance & operations	.846	.846
Transportation	.285	.264
Other	.868	.513
Total	\$ 8.445	\$ 6.303

The cost of all governmental activities this year was \$8,444,709.

Some of the cost was financed by the users of the District's programs in the amount of \$817,388

The federal and state governments subsidized certain programs with grants and contributions \$1,324,622.

Most of the District's costs were financed by District and state taxpayers.

This portion of governmental activities was financed with \$3,199,982 in property taxes, \$325,615 of income surtax, \$559,008 of sales tax and \$2,089,836 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$98,363 and \$147,950 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$278,164. The Hot Lunch program was the main Business Type Activity for the District during the 2020 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,782,935 which is \$55,458 above last year's ending fund balances of \$7,727,477. This balance was relatively stable compared to the prior year.

Governmental Fund Highlights

The General Fund balance decreased from \$1,305,093 to \$1,268,719 due to a decrease in revenues.

The Debt Service Fund balance decreased \$175,131, due to pay off of general obligation debt.

The Capital projects fund decreased \$154,395, due to an increase in expenses.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit of \$12,168 at June 30, 2019 to a deficit of \$28,937 at June 30, 2020, due to a decrease in revenues.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$230,023 less than budgeted receipts, which is a 2.5% variance

Capital Asset and Debt Administration

Capital Assets

By the end of 2019 the District had invested \$9.2 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-4) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year was \$541,804.

Figure A-4 Capital Assets (net of depreciation, (in millions of dollars))			
	Governmental	Business Type	Total
Construction in progress	0.098	0	0.098
Land	0.162	0	0.162
Buildings	8.096	0	8.096
Improvements	.263	0	.263
Equipment & Furniture	0.561	.007	0.568
	9.180	.007	9.187

Long-Term Debt

At year-end, the District had \$1,754,758 in general obligation and revenue bonds outstanding. This represents a decrease of 59.8% over the previous fiscal year as can be seen in Figure A-5 below.

Figure A-5
Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Total Percentage Change
	<u>2020</u>	<u>2019</u>	<u>2019-20</u>
General Obligation bonds	0.000	0.100	-100.0
Revenue bonds	1.489	1.655	-10.0
Total	1.489	1.755	-10.0

Factors Bearing on the District's Future

The following factors will have some impact on the district's financial future.

The district has experienced a stabilization of its population decline, in fact, the district has gained 25 students over the last couple of years

1. Small surrounding districts that may have to whole grade share or dissolve.
2. The number of farms in Hancock County continues to decline
3. We are expecting a few new homes to be built this coming year.
4. We have received some short term relief from stimulus funds this past year and expect to receive more in the next fiscal year.
5. Farm land values are increasing, which helps with our taxable valuation and increasing property taxes.

Future state funding will be a major factor in the district's future. State and Federal unfunded mandates will determine the degree to which the district will commit itself to effectively manage the fiscal matters of the district.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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, Amy Larson, Board Secretary/Business Manager, West Hancock Community School District, 510 9th Ave. SW., Britt, Iowa 50423