

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT  
BRITT, IOWA**

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

**YEAR ENDED JUNE 30, 2020**

## Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 14-15
Statement of Activities	B 16-17
Governmental Fund Financial Statements:	
Balance Sheet	C 18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Position	G 22
Statement of Revenues, Expenses and Changes in Fund Net Position	H 23
Statement of Cash Flows	I 24-25
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Funds	J 26
Statement of Changes in Fiduciary Assets	K 27
Notes to Financial Statements	28-56
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	57-58
Notes to Required Supplementary Information – Budgetary Reporting	59
Schedule of the District's Proportionate Share of the Net Pension Liability	60-61
Schedule of District Contributions	62-63
Notes to Required Supplementary Information – Pension Liability	64-65
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes	66

## Table of Contents (continued)

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	68
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	69-70
Capital Project Accounts:		
Combining Balance Sheet	4	71
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	72
Nonmajor Enterprise Funds:		
Combining Balance Sheet	6	73
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	7	74
Combining Schedule of Cash Flows	8	75-76
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	9	77-78
Independent Auditor’s Report 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>		79-81
Schedule of Findings		82-86

**West Hancock Community School District  
Britt, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

Ryan Johnson	President	2023
Jay Burgardt	Vice President	2021
Angie Johnson	Board Member	2021
Andrew Eekhoff	Board Member	2023
Jon Harle	Board Member	2021
Maureen Abels	Board Member	2023
Leah Deutsch	Board Member	2023

**School Officials**

Wayne Kronemann	Superintendent	Indefinite
Amy Larson	CO / District Secretary/Treasurer and Business Manager	2023
Ahlers and Cooney	Attorney	Indefinite

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

714 14<sup>th</sup> Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

### Independent Auditor's Report

To the Board of Education of  
West Hancock 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 West Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2020, 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 of 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 West Hancock Community School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 13 and 57 through 66 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 West Hancock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and 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 17, 2021 on our consideration of West Hancock 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 West Hancock Community School District's internal control over financial reporting and compliance.

*Cornwell, Frideres, Maher & Associates, P.L.C.*

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 17, 2021

## 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 Activities		Business-type Activities		Total 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
<b>Total assets</b>	<b>16.130</b>	<b>16.036</b>	<b>.066</b>	<b>.070</b>	<b>16.196</b>	<b>16.106</b>
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
<b>Total liabilities</b>	<b>5.223</b>	<b>5.904</b>	<b>.099</b>	<b>.099</b>	<b>5.322</b>	<b>6.003</b>
Deferred Inflows of Resources	3.893	3.437	.013	.005	3.906	3.442
<b>Net assets</b>						
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)
<b>Total net assets</b>	<b>7.783</b>	<b>7.632</b>	<b>(.029)</b>	<b>(.012)</b>	<b>7.754</b>	<b>7.620</b>

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

**Figure A-2**  
**Changes in Net Assets from Operating Results (in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Revenues</b>						
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
<b>Total revenues</b>	<b>8.500</b>	<b>8.688</b>	<b>.261</b>	<b>.296</b>	<b>8.761</b>	<b>8.984</b>
<b>Expenses</b>						
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
<b>Total expenses</b>	<b>8.445</b>	<b>8.336</b>	<b>.278</b>	<b>.292</b>	<b>8.723</b>	<b>8.628</b>
<b>Increase (decrease) in net assets</b>	<b>.055</b>	<b>.352</b>	<b>(.017)</b>	<b>.004</b>	<b>.211</b>	<b>.356</b>

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)**

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

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
	<b>9.180</b>	<b>.007</b>	<b>9.187</b>

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

## 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 it's 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 9<sup>th</sup> Ave. SW., Britt, Iowa 50423



## **Basic Financial Statements**

West Hancock Community School District  
Britt, Iowa  
Statement of Net Position  
June 30, 2020

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 3,140,427	32,375	3,172,802
Receivables:			
Property tax:			
Delinquent	36,750	-	36,750
Succeeding year	3,357,297	-	3,357,297
Accounts	11,606	124	11,730
Inventories	-	12,735	12,735
Due from other governments	417,554	-	417,554
Due from other funds	(13,774)	13,774	-
Capital assets, net of accumulated depreciation	9,180,235	6,697	9,186,932
<b>Total assets</b>	<u>16,130,095</u>	<u>65,705</u>	<u>16,195,800</u>
 <b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>768,185</u>	<u>17,976</u>	<u>786,161</u>
 <b>Liabilities</b>			
Accounts payable	112,501	-	112,501
Salaries and benefits payable	5,086	-	5,086
Due to other governments	-	-	-
Accrued interest payable	14,332	-	14,332
Advances from grantors	110,605	12,572	123,177
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	275,000	-	275,000
Early Retirement	203,028	-	203,028
Compensated absences	14,888	-	14,888
Portion due after one year:			
Revenue bonds (net of \$6,868 unamortized discount)	1,214,132	-	1,214,132
Net pension liability	3,080,053	81,295	3,161,348
Total OPEB liability	193,083	5,415	198,498
<b>Total liabilities</b>	<u>5,222,708</u>	<u>99,282</u>	<u>5,321,990</u>
 <b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,357,297	-	3,357,297
Pension related deferred inflows	495,781	12,095	507,876
OPEB related deferred inflows	39,559	1,241	40,800
<b>Total deferred inflows of resources</b>	<u>3,892,637</u>	<u>13,336</u>	<u>3,905,973</u>

(continued)

West Hancock Community School District  
 Britt, Iowa  
 Statement of Net Position  
 June 30, 2020

Exhibit A

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
<b>Net position</b>			
Net investment in capital assets	7,488,075	6,697	7,494,772
Restricted for:			
Categorical funding	228,488	-	228,488
Management levy	510,387	-	510,387
Physical plant and equipment levy	237,004	-	237,004
School infrastructure	840,038	-	840,038
Other special revenue purposes	161,751	-	161,751
Unrestricted	(1,682,808)	(35,634)	(1,718,442)
<b>Total net position</b>	<u>\$ 7,782,935</u>	<u>(28,937)</u>	<u>7,753,998</u>

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa  
Statement of Activities  
Year ended June 30, 2020

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted
	<u>Expenses</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>
<b><u>Functions/Programs:</u></b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,212,834	407,122	362,225	-
Special instruction	727,932	90,571	111,705	-
Other instruction	1,226,000	319,310	297,347	-
	<u>5,166,766</u>	<u>817,003</u>	<u>771,277</u>	<u>-</u>
Support services:				
Student	73,694	-	5,208	-
Instructional staff	351,192	-	166,828	-
Administration	854,652	-	5,174	-
Operation and maintenance of plant	846,179	-	620	-
Transportation	284,505	385	20,371	-
	<u>2,410,222</u>	<u>385</u>	<u>198,201</u>	<u>-</u>
Other expenditures:				
Facilities Acquisition	48,984			
Community service	97,901	-	99,635	-
Long-term debt interest	33,619	-	-	-
AEA flowthrough	255,509	-	255,509	-
Depreciation (unallocated)*	431,708	-	-	-
	<u>867,721</u>	<u>-</u>	<u>355,144</u>	<u>-</u>
Total governmental activities	<u>8,444,709</u>	<u>817,388</u>	<u>1,324,622</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Preschool	8,729	8,700		
Food service operations	269,435	89,663	147,950	-
Total	<u>\$ 8,722,873</u>	<u>915,751</u>	<u>1,472,572</u>	<u>-</u>

**General Revenues:**

Property tax levied for:

- General purposes
- Capital outlay
- Public education and recreation purposes

Statewide sales, service and use tax

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Transfers

Gain on sale of assets

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business Type Activities	Total
(2,443,487)	-	(2,443,487)
(525,656)	-	(525,656)
(609,343)	-	(609,343)
(3,578,486)	-	(3,578,486)
(68,486)	-	(68,486)
(184,365)	-	(184,365)
(849,478)	-	(849,478)
(845,559)	-	(845,559)
(263,749)	-	(263,749)
(2,211,637)	-	(2,211,637)
(48,984)		
1,734	-	1,734
(33,619)	-	(33,619)
-	-	-
(431,708)	-	(431,708)
(512,577)	-	(512,577)
(6,302,700)	-	(6,302,700)
	(29)	(29)
-	(31,822)	(31,822)
(6,302,700)	(31,851)	(6,334,551)
\$ 2,888,109	-	2,888,109
270,924	-	270,924
40,949		40,949
559,008	-	559,008
325,615	-	325,615
2,089,836	-	2,089,836
57,378	1,308	58,686
136,139	-	136,139
(13,774)	13,774	-
3,973	-	3,973
6,358,157	15,082	6,373,239
55,458	(16,769)	38,689
7,727,477	(12,168)	7,715,309
\$ 7,782,935	(28,937)	7,753,998

West Hancock Community School District  
Britt, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2020

	General	Special Revenue Management	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 1,309,081	505,969	1,105,832	163,919	3,084,801
Receivables:					
Property tax:					
Delinquent	28,999	4,418	2,867	466	36,750
Succeeding year	2,721,283	350,000	243,757	42,257	3,357,297
Accounts	3,724		2,355	5,527	11,606
Due from other funds	53,763		-	-	53,763
Due from other governments	338,165	-	79,389	-	417,554
<b>Total assets</b>	<b>\$ 4,455,015</b>	<b>\$ 860,387</b>	<b>1,434,200</b>	<b>212,169</b>	<b>6,961,771</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 77,018		27,322	8,161	112,501
Salaries and benefits payable	5,086		-	-	5,086
Advances from grantors	110,605		-	-	110,605
Due to other funds	13,774	-	53,763	-	67,537
<b>Total liabilities</b>	<b>206,483</b>	<b>-</b>	<b>81,085</b>	<b>8,161</b>	<b>295,729</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,721,283	350,000	243,757	42,257	3,357,297
Income surtax	258,530	-	32,316	-	290,846
<b>Total deferred inflows of resources</b>	<b>2,979,813</b>	<b>350,000</b>	<b>276,073</b>	<b>42,257</b>	<b>3,648,143</b>
Fund balances:					
Restricted for:					
Categorical funding	228,488		-	-	228,488
School infrastructure	-		840,038	-	840,038
Physical plant and equipment	-		237,004	-	237,004
Student activities	-		-	117,422	117,422
Recreation levy purposes	-		-	44,329	44,329
Management levy purposes	-	510,387	-	-	510,387
Unassigned	1,040,231	-	-	-	1,040,231
<b>Total fund balances</b>	<b>1,268,719</b>	<b>510,387</b>	<b>1,077,042</b>	<b>161,751</b>	<b>3,017,899</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,455,015</b>	<b>\$ 860,387</b>	<b>1,434,200</b>	<b>212,169</b>	<b>6,961,771</b>

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa

Exhibit D

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

June 30, 2020

**Total fund balances of governmental funds (page 17)** **\$ 3,017,899**

*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. 9,180,235

Other long-term assets are not available to pay current period expenditures and,  
therefore, are recognized as deferred inflows of resources in the governmental  
funds. 290,846

Internal Service Fund assets that are to be included with governmental funds. 55,626

Accrued interest payable on long-term liabilities is not due and payable in the  
current period and, therefore, is not reported as a liability in the governmental  
funds. (14,332)

Pension and OPEB related deferred outflows of resources and deferred inflows of  
resources are not due and payable in the current year and, therefore, are not  
reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 768,185	
Deferred inflows of resources	<u>(535,340)</u>	232,845

Long-term liabilities, including bonds and notes payable, compensated absences,  
total OPEB liability and net pension liability, are not due and payable in the  
current period and, therefore, are not reported in the governmental funds. (4,980,184)

**Net position of governmental activities (page 14)** **\$ 7,782,935**

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2020

	<u>General</u>	<u>Management Levy</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,786,837	447,429	270,924	40,949	3,546,139
Tuition	467,596		-	-	467,596
Other	210,346	6,576	17,064	313,827	547,813
State sources	3,057,488	7,705	563,668	703	3,629,564
Federal sources	340,695	-	-	-	340,695
Total revenues	<u>6,862,962</u>	<u>461,710</u>	<u>851,656</u>	<u>355,479</u>	<u>8,531,807</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,962,246	36,097	-	-	2,998,343
Special	705,132		-	-	705,132
Other	960,989	-	-	314,676	1,275,665
	<u>4,628,367</u>	<u>36,097</u>	<u>-</u>	<u>314,676</u>	<u>4,979,140</u>
Support services:					
Student	70,304		-	-	70,304
Instructional staff	244,854		97,529	-	342,383
Administration	755,759		749	27,414	783,922
Operation and maintenance of plant	626,087	176,884	-	-	802,971
Transportation	207,723	25,031	45,369	-	278,123
	<u>1,904,727</u>	<u>201,915</u>	<u>143,647</u>	<u>27,414</u>	<u>2,277,703</u>
Other expenditures:					
Facilities acquisition	-		730,260	-	730,260
Community services	99,635		-	924	100,559
Long-term debt:					
Principal	-		-	267,500	267,500
Interest and fiscal charges	-		-	34,527	34,527
AEA flowthrough	255,509	-	-	-	255,509
	<u>355,144</u>	<u>-</u>	<u>730,260</u>	<u>302,951</u>	<u>1,388,355</u>
Total expenditures	<u>6,888,238</u>	<u>238,012</u>	<u>873,907</u>	<u>645,041</u>	<u>8,645,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,276)</u>	<u>223,698</u>	<u>(22,251)</u>	<u>(289,562)</u>	<u>(113,391)</u>
Other financing sources (uses):					
Transfers in	-		74,210	206,354	280,564
Proceeds from disposal of real property	2,676				2,676
Transfers out	(13,774)	-	(206,354)	(74,210)	(294,338)
Total other financing sources (uses)	<u>(11,098)</u>	<u>-</u>	<u>(132,144)</u>	<u>132,144</u>	<u>(11,098)</u>
Change in fund balances	(36,374)	223,698	(154,395)	(157,418)	(124,489)
Fund balances beginning of year	\$ 1,305,093	\$ 286,689	1,231,437	319,169	3,142,388
Fund balances end of year	<u>\$ 1,268,719</u>	<u>\$ 510,387</u>	<u>1,077,042</u>	<u>161,751</u>	<u>3,017,899</u>

See notes to financial statements.



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

Year ended June 30, 2020

**Net change in fund balances - total governmental funds (page 20)** **\$ (124,489)**

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

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

Expenditures for capital assets	\$ 853,147	
Depreciation expense	<u>(539,471)</u>	313,676

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (20,542)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues, as follows

Repaid	267,000	
Amortize bond discount costs	<u>(1,374)</u>	265,626

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,782

The current year District employer share for IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 379,999

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	13,027	
Early Retirement	(203,028)	
Pension expense	(576,204)	
OPEB expense	<u>(19,484)</u>	<u>(785,689)</u>

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 24,095

**Change in net position of governmental activities (page 16)** **\$ 55,458**

West Hancock Community School District  
Britt, Iowa

Exhibit G

Statement of Net Position  
Proprietary Funds

Year Ended June 30, 2020

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 32,375	55,626
Accounts receivable	124	-
Due from other funds	13,774	-
Inventories	12,735	-
Total current assets	<u>59,008</u>	<u>55,626</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	6,697	-
<b>Total assets</b>	<u>65,705</u>	<u>55,626</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>17,976</u>	-
<b>Liabilities</b>		
Current liabilities:		
Unearned revenue	12,572	-
Total current liabilities	<u>12,572</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	81,295	-
Total OPEB liability	5,415	-
Total noncurrent liabilities	<u>86,710</u>	<u>-</u>
<b>Total liabilities</b>	<u>99,282</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	12,095	-
OPEB related deferred inflows	1,241	-
<b>Total deferred inflows of resources</b>	<u>13,336</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	6,697	-
Unrestricted	<u>(35,634)</u>	<u>55,626</u>
<b>Total net position</b>	<u>\$ (28,937)</u>	<u>55,626</u>

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa

Exhibit H

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

Year ended June 30, 2020

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 98,362	-
Miscellaneous	1,410	90,909
	<u>99,772</u>	<u>90,909</u>
Operating expenses:		
Instruction:		
Regular	8,729	67,092
Support Services:		
Administration	-	245
Non-instructional programs:		
Food service operations:		
Salaries	86,384	-
Benefits	45,609	-
Purchased services	4,496	-
Supplies	130,613	-
Depreciation	2,333	-
	<u>269,435</u>	<u>-</u>
Total operating expenses	<u>278,164</u>	<u>67,337</u>
Operating gain (loss)	<u>(178,392)</u>	<u>23,572</u>
Non-operating revenues:		
State sources	2,304	-
Federal sources	144,236	-
Interest income	1,309	523
Total non-operating revenues	<u>147,849</u>	<u>523</u>
Other financing sources		
Transfer in	13,774	-
Increase in net position	(16,769)	24,095
Net position beginning of year	<u>(12,168)</u>	<u>31,531</u>
Net position end of year	<u>\$ (28,937)</u>	<u>55,626</u>

See notes to financial statements.

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2020

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 96,936	-
Cash received from other services	10,110	-
Cash paid to employees for services	(134,337)	-
Cash paid to suppliers for goods or services	<u>(115,584)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(142,875)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
State grants received	2,304	-
Federal grants received	<u>119,153</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>121,457</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,309</u>	<u>-</u>
Net decrease in cash and cash equivalents	(20,109)	-
Cash and cash equivalents beginning of year	<u>52,484</u>	<u>29,721</u>
Cash and cash equivalents end of year	<u>\$ 32,375</u>	<u>29,721</u>

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2020	Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:</b>		
Operating income (loss)	\$ (178,392)	23,572
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	25,083	-
Depreciation	2,333	-
(Increase) in accounts receivable	773	(1,810)
Decrease in inventories	(5,558)	-
(Decrease) in accounts payable	-	-
(Decrease) in unearned revenue	6,501	-
(Decrease) in net pension liability	(5,632)	-
(Increase) in deferred outflows of resources	(933)	-
Increase in deferred inflows of resources	13,422	-
Increase in OPEB liability	(472)	-
Net cash provided by (used by) operating activities	<u>\$ (142,875)</u>	<u>21,762</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2020, the District received \$26,120 of federal commodities.

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa  
Statement of Fiduciary Funds

Exhibit J

Year Ended June 30, 2020

	Private Purpose <u>Trusts</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 7,694
<b>Total assets</b>	<u>7,694</u>
<b>Liabilities</b>	
Accounts payable	-
<b>Total liabilities</b>	<u>-</u>
<b>Net Position</b>	
Private Purpose Trust Fund	<u>\$ 7,694</u>

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2020

	Private Purpose <u>Trusts</u>
Additions:	
Local sources:	
Interest on investments	\$ 214
Contributions	-
Total additions	<u>214</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>849</u>
Total deductions	<u>849</u>
Change in net position	(635)
Net position beginning of year	<u>8,329</u>
Net position end of year	<u>\$ 7,694</u>

See notes to financial statements.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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

West Hancock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Britt and Kanawha, Iowa, and the predominate agricultural territory in a portion of Hancock and Wright 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, West Hancock 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. West Hancock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hancock and Wright county assessor's conference boards.



West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds are both non-major. Details are provided in the supplementary information of the financial report.

The District also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of health care coverage self-funded by the District and provided to other funds on a cost reimbursement basis.

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

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

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund 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 except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

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.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

Capital Assets – Capital assets, which include property, furniture and equipment, 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

West Hancock Community School District

Britt, Iowa

Notes to Financial Statements

June 30, 2020

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees with hours worked in June 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.

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 on rates of pay in effect at June 30, 2020. 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 by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the West Hancock 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 and the Enterprise, School Nutrition Fund.

West Hancock Community School District

Britt, Iowa

Notes to Financial Statements

June 30, 2020

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or 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, 2019, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions.



West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

F. Estimates:

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**(2) Cash, Cash Equivalents and Pooled Investments**

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 of a drainage district.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$43,265 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

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

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

A reconciliation of cash, cash equivalents and investments as shown on the financial statements of the District is as follows:

Depository accounts	\$ 2,147,901
Certificates of deposit	989,618
Iowa Schools Joint Investment Trust Diversified Portfolio	<u>42,977</u>
	\$ <u>3,180,496</u>
Per Exhibit A	\$ 3,172,802
Per Exhibit J	<u>7,694</u>
	\$ <u>3,180,496</u>

Concentration of credit risk- The District's investment policy seeks diversification to reduce overall portfolio risk while maintaining market rates of return to enable the District to meet its anticipated cash requirements. The District does not have a policy specific to concentration of credit risk. At June 30, 2020, the District had no investments subject to concentration of credit risk.

Custodial credit risk- For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. For an investment, this is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of the outside party. The District's deposits in banks at June 30, 2020 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's investments are held by a custodian in the name of the District.

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

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables for the year ended June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	PPEL Fund	\$ 53,763
Nutrition Fund	General Fund	<u>13,774</u>
Total		<u>67,537</u>

The Capital Projects Fund is repaying the General Fund for equipment purchased. The General Fund is repaying the Nutrition Fund it's share of COVID funds. These balances should be repaid by June 30, 2021.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 200,827
Nutrition	General	13,774
Student Activity	PPEL	<u>5,527</u>
PPEL	Debt Service	<u>74,210</u>
Total		<u>294,338</u>

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

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 162,236	-	-	162,236
Construction in progress	333,110	554,704	(789,767)	98,047
Total capital assets not being depreciated	495,346	554,704	(789,767)	260,283
Capital assets being depreciated:				
Buildings	13,924,654	669,368	-	14,594,022
Improvements other than buildings	452,998	220,969	-	673,967
Furniture and equipment	2,842,456	197,873	-	3,040,329
Total capital assets being depreciated	17,220,108	1,088,210	-	18,308,318
Less accumulated depreciation for:				
Buildings	6,123,339	375,148	-	6,498,487
Improvements other than buildings	375,020	35,534	-	410,554
Furniture and equipment	2,350,536	128,790	-	2,479,326
Total accumulated depreciation	8,848,895	539,472	-	9,388,367
Total capital assets being depreciated, net	8,371,213	548,738	-	8,919,951
Governmental activities capital assets, net	8,866,559	1,103,442	(789,767)	9,180,234
<b><u>Business type activities:</u></b>				
Furniture and equipment	157,492	-	-	157,492
Less accumulated depreciation	148,462	2,333	-	150,795
Business type activities capital assets, net	9,030	(2,333)	-	6,697
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 46,319
Other				11,090
Support Services:				
Student services				1,362
Administration				1,280
Operation and maintenance of plant				1,872
Transportation				45,840
Unallocated				431,708
Total depreciation expense - governmental activities				\$ 539,471
Business type activities:				
Food service operations				\$ 2,333

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follow follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation refunding bonds	\$ 100,000	-	100,000	-	-
Revenue Refunding bonds Series 2017	1,654,758	-	165,626	1,489,132	(1) 275,000
Early Retirement	-	203,028	-	203,028	203,028
Compensated absences	27,915	14,888	27,915	14,888	14,888
Net pension liability	3,330,407	-	250,354	3,080,053	
Total OPEB liability	206,833	-	13,750	193,083	-
Total	<u>\$ 5,319,913</u>	<u>217,916</u>	<u>557,645</u>	<u>4,980,184</u>	<u>492,916</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2020 totaled \$6,868.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 86,927	-	5,632	81,295	-
Total OPEB liability	5,887	-	472	5,415	-
Total	<u>\$ 92,814</u>	<u>-</u>	<u>6,104</u>	<u>86,710</u>	<u>-</u>

General Obligation Bonds Payable

During the year ended June 30, 2020, principal and interest paid were \$100,000 and \$1,200, respectively. There are no future payments.

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

Year Ending <u>June 30,</u>	<u>Bond Issue of November 1, 2017</u>		
	Interest Rates	Principal	Interest
2021	2.11	275,000	28,664
2022	2.11	279,000	22,820
2023	2.11	290,000	16,817
2024	2.11	294,000	10,655
2025-26	2.11	358,000	4,937
Total		<u>\$ 1,496,000</u>	<u>83,893</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,839,000 of bonds issued in November 2017. The bonds were issued for the purpose of financing a school infrastructure improvement project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2026. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 36% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,579,893. For the current year, \$167,000 of principal and \$33,327 of interest paid on the bonds and total statewide sales, services and use tax revenues was \$563,500.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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

- a) \$218,163 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District offered a one time voluntary early retirement plan to currently employed full time or part time licensed eligible employees. Eligible employees must have reached the age of fifty-five and a minimum of 10 years of service in the West Hancock Community School District. The application for early retirement is subject to approval by the Board of Education.

If approved, the early retiree will receive an early retirement stipend of 2 times the difference between the employee's current regular salary schedule pay and the base amount on the salary schedule for 2019-20.

The District also offered a one time voluntary early retirement plan to currently employed full time or part time administrators and business managers eligible employees. Eligible employees must have reached the age of fifty – five and a minimum of 10 years of services in the West Hancock Community School District. The application for early retirement is subject to approval by the Board of Education.

If approved, the early retiree will receive an early retirement stipend of \$27,000.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

At June 30, 2020, the District has obligations to nine employees for early retirement benefits for a total of \$203,000.

**(6) Pension Plan**

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

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



West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$388,133.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$3,161,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the District's collective proportion was 0.054594%, which was an increase of 0.000593% from its proportion measured as of June 30, 2018.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$570,131. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,764	113,666
Changes of assumptions	338,626	-
Net difference between projected and actual earnings on IPERS' investments	-	356,246
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	50,638	37,931
District contributions subsequent to the measurement date	<u>388,133</u>	<u>-</u>
Total	<u>\$ 786,161</u>	<u>507,843</u>

\$388,133 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ 79,503
2022	(69,400)
2023	(57,456)
2024	(57,084)
2025	(5,378)
Total	<u>\$ (109,815)</u>

There were no non-employer contributing entities at IPERS.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

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, IPERS's 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	\$ 5,613,533	3,161,348	1,104,482

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

Payables to IPERS – At June 30, 2020, the District reported no payables to IPERS.

**(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.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

OPEB Benefits - Individuals who are employed by West Hancock 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.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>76</u>
Total	<u>79</u>

Total OPEB Liability - The District's total OPEB liability of \$198,498 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 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, 2020)	3.00% per annum.
Rate of salary increase (effective June 30, 2020)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2020)	3.15% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.00% per annum.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.15% 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.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

Mortality rates are from the RP 2014 Annuity Mortality Table. 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, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ <u>212,720</u>
Changes for the year:	
Service cost	14,829
Interest	6,345
Recognition of deferred inflows/outflows	(6,443)
Demographic change FY's 18 & 19	(33,508)
Changes in assumptions	9,716
Benefit payments	<u>(5,161)</u>
Net changes	<u>(14,222)</u>
Total OPEB liability end of year	\$ <u>198,498</u>

The discount rate decreased from 3.72% to 3.15%.

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 (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease <u>(2.15%)</u>	Discount Rate <u>(3.15%)</u>	1% Increase <u>(4.15%)</u>
Total OPEB liability	\$ 218,900	198,498	180,342

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 173,230	198,498	228,823

OPEB Expense and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the District recognized OPEB expense of \$17,217. At June 30, 2020, the District reported deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,800
Changes in assumptions	-
Total	\$ <u>40,800</u>

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

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 2,731
2022	2,731
2023	2,731
2024	2,731
2025	2,731
Thereafter	<u>27,145</u>
	<u>\$ 40,800</u>

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$255,509 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

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

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 25,875
Preschool program	38,975
Dropout/Dropout prev.	47,398
Textbook aid for nonpublic students	555
Teacher Development Activities	10
Teacher Quality Professional Development	14,940
Early Literacy	6,496
TLC Planning	94,239
Total	<u>\$ 228,488</u>



West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

**(11) Deficit Fund Balance**

The Enterprise, School Nutrition Fund had a deficit net position of \$28,937 at June 30, 2020. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015.

**(12) Tax Abatements**

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

During the current year ended June 30, 2020 property tax revenues were not reduced by tax abatements programs of other entities.

**(14) Prospective Accounting Changes**

The Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

The Governmental Accounting Standards Board has issued Statement No. 90, Majority Equity Interests. This statement will be implemented for the fiscal year ending June 30, 2021. The statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meeting the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.

This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The Governmental Accounting Standards Board has issued Statement No.87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The Governmental Accounting Standards Board has issued Statement No.89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement will be implemented for the fiscal year ending June 30, 2022. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

The Governmental Accounting Standards Board has issued Statement No.91, Conduit Debt Obligations. This statement will be implemented for the fiscal year ending June 30, 2023. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

District management has not yet determined the effect these pronouncements will have on the District's financial statements.

**(15) Subsequent Events**

Subsequent events have been evaluated through June 17, 2021 which is the date the financial statements were available to be issued. The United States is currently involved with a pandemic related to the spread of the COVID- 19 virus. This pandemic has resulted in significant disruption to the United States economy. The extent of any results of this pandemic related to this district unknown.

West Hancock Community School District  
Britt, Iowa

Notes to Financial Statements

June 30, 2020

**(16) Restatement of Beginning Fund Balance**

The Net Position of the Governmental Activities, was restated to correctly reflect the beginning balance as the interest payable from June 30, 2019 was overstated.

	<u>Governmental Activities</u>
Net Position June 30, 2019 as previously reported	\$ 7,632,105
Adjust accrued interest	<u>95,372</u>
Net position July 1, 2019, as restated	\$ <u><u>7,727,477</u></u>

## **Required Supplementary Information**

West Hancock Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,561,548	101,081
State sources	3,629,564	2,304
Federal sources	340,695	144,236
Total revenues	<u>8,531,807</u>	<u>247,621</u>
Expenditures/Expenses:		
Instruction	4,979,140	-
Support services	2,277,703	-
Non-instructional programs	-	278,164
Other expenditures	1,388,355	-
Total expenditures/expenses	<u>8,645,198</u>	<u>278,164</u>
Excess (deficiency) of revenues over (under) expenditures	(113,391)	(30,543)
Other financing sources, net	<u>(11,098)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(124,489)	(30,543)
Balances beginning of year	<u>3,142,388</u>	<u>(12,168)</u>
Balances end of year	<u>\$ 3,017,899</u>	<u>(42,711)</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
4,662,629	4,458,762	4,458,762	203,867
3,631,868	3,603,106	3,603,106	28,762
484,931	521,000	521,000	(36,069)
<u>8,779,428</u>	<u>8,582,868</u>	<u>8,582,868</u>	<u>196,560</u>
4,979,140	4,770,000	4,770,000	(209,140)
2,277,703	2,577,000	2,577,000	299,297
278,164	295,000	295,000	16,836
<u>1,388,355</u>	<u>1,381,687</u>	<u>1,381,687</u>	<u>(6,668)</u>
<u>8,923,362</u>	<u>9,023,687</u>	<u>9,023,687</u>	<u>100,325</u>
(143,934)	(440,819)	(440,819)	296,885
<u>(11,098)</u>	<u>-</u>	<u>-</u>	<u>(11,098)</u>
(155,032)	(440,819)	(440,819)	285,787
<u>3,130,220</u>	<u>2,007,204</u>	<u>2,007,204</u>	<u>1,123,016</u>
<u>2,975,188</u>	<u>1,566,385</u>	<u>1,566,385</u>	<u>1,408,803</u>

West Hancock Community School District  
Britt, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2020

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2020, expenditures in the instruction & other expenditures functions exceeded the amounts budgeted.



West Hancock Community School District

Britt, Iowa

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

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

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.054594%	0.054001%	0.054622%	0.053249%
District's proportionate share of the net pension liability	\$ 3,161	3,417	3,639	3,351
District's covered payroll	\$ 4,151	4,059	4,077	3,822
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.15%	84.18%	89.26%	87.68%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

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

See accompanying independent auditor's report

<u>2016</u>	<u>2015</u>
0.053321%	0.054129%
2,634	2,147
3,649	3,509
72.18%	61.19%
85.19%	87.61%

West Hancock Community School District

Britt, Iowa

Schedule of District Contributions

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

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 389	392	363	364	341
Contributions in relation to the statutorily required contribution	<u>(389)</u>	<u>(392)</u>	<u>(363)</u>	<u>(364)</u>	<u>(341)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 4,120	4,151	4,059	4,077	3,822
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%

See accompanying independent auditor's report

<u>2015</u>	<u>2014</u>	<u>2013</u>
326	326	302
<u>(326)</u>	<u>(326)</u>	<u>(302)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
3,649	3,509	3,429
8.93%	8.93%	8.67%

West Hancock Community School District  
Britt, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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%.

West Hancock Community School District  
Britt, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

West Hancock Community School District

Britt, Iowa

Schedule of Changes in the District's

Total OPEB Liability, Related Ratios and Notes  
For the Last Three Years

Required Supplementary Information

	2020	2019	2018
Service cost	\$ 14,829	\$ 15,589	15,589.00
Interest cost	6,345	7,888	7,697.00
Difference between expected and actual experiences	-	(8,613)	(7,831.00)
Changes in assumptions	9,716	-	-
Demographic change FY's 18 & 19	(33,508)	-	-
Recognition of Deferred Inflows/Outflows	(6,443)	-	-
Benefit payments	(5,161)	(8,468)	(13,208.00)
Net change in total OPEB liability	(14,222)	6,396	2,247
Total OPEB liability beginning of year	212,720	206,324	204,077
Total OPEB liability end of year	198,498	212,720	206,324
Covered-employee payroll	\$ 3,846,735	\$ 3,881,879	3,776,590
Total OPEB liability as a percentage of covered-employee payroll	5.16%	5.48%	5.46%

See accompanying independent auditor's report.

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

*Changes in benefit terms:*

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, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%

## **Supplementary Information**



West Hancock Community School District  
Britt, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue			Total
	Student Activity	Debt Service	Playground Equipment Recreation Levy	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 119,547	-	44,372	163,919
Receivables:				
Property tax:				
Delinquent	-	-	466	466
Succeeding year	-	-	42,257	42,257
Accounts	5,527	-	-	5,527
<b>Total assets</b>	<u>\$ 125,074</u>	<u>-</u>	<u>87,095</u>	<u>212,169</u>
<b>Liabilities, Deferred Inflows of Resources And Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 7,652	-	509	8,161
<b>Total liabilities</b>	<u>7,652</u>	<u>-</u>	<u>509</u>	<u>8,161</u>
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	-	-	42,257	42,257
Fund balances:				
Restricted for:				
Student activities	117,422	-	-	117,422
Recreation levy purposes	-	-	44,329	44,329
<b>Total fund balances</b>	<u>117,422</u>	<u>-</u>	<u>44,329</u>	<u>161,751</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 125,074</u>	<u>-</u>	<u>87,095</u>	<u>212,169</u>

See accompanying independent auditor's report.

West Hancock Community School District  
Britt, Iowa

Schedule 2

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

Year ended June 30, 2020

	<u>Special Revenue</u>			
	<u>Student</u>	<u>Debt</u>	<u>Playground</u>	
	<u>Activity</u>	<u>Service</u>	<u>Equipment</u>	
			<u>Recreation</u>	<u>Total</u>
			<u>Levy</u>	
Revenues:				
Local sources:				
Local tax	\$ -	-	40,949	40,949
Other	313,355	279	193	313,827
State sources	-	-	703	703
Total revenues	<u>313,355</u>	<u>279</u>	<u>41,845</u>	<u>355,479</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	-	-
Other	314,676	-	-	314,676
Support services:				
Administration	-	-	27,414	27,414
Operation and maintenance of plant	-	-	-	-
Transportation	-	-	-	-
Other expenditures:				
Community services	-	-	924	924
Long-term debt:				
Principal		267,500		267,500
Interest and fiscal charges		34,527		34,527
Facilities acquisition	-	-	-	-
Total expenditures	<u>314,676</u>	<u>302,027</u>	<u>28,338</u>	<u>645,041</u>
Other financing sources				
Transfer in	<u>5,527</u>	<u>200,827</u>	-	<u>206,354</u>
Transfer out		(74,210)		(74,210)
Total other financing sources	<u>5,527</u>	<u>126,617</u>	-	<u>132,144</u>
Excess (deficiency) of revenues over expenditures	4,206	(175,131)	13,507	(157,418)
Fund balances beginning of year	<u>113,216</u>	<u>175,131</u>	<u>30,822</u>	<u>319,169</u>
Fund balances end of year	<u>\$ 117,422</u>	<u>\$ -</u>	<u>44,329</u>	<u>161,751</u>

See accompanying independent auditor's report.

West Hancock Community School District  
Britt, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics	\$ 5,645	74,933	72,697	-	7,881
Class of 2023	-	30	-	-	30
Class of 2021	-	32,565	22,792	-	9,773
Class of 2020	9,062	2,549	4,542	-	7,069
Class of 2019	4,777	-	4,777	-	-
FFA	7,397	12,289	12,672	-	7,014
FCCLA	604	-	-	-	604
SES	213	133	-	-	346
Student Council	2,267	2,991	2,432	-	2,826
Vocal Music	210	2,365	1,945	-	630
Cheerleaders	4,120	609	3,034	-	1,695
JR/Sr High Band	6,099	4,660	6,401	-	4,358
Drama	3,513	1,682	1,204	-	3,991
Pep Club	438	-	114	-	324
Art Club	170	-	-	-	170
Uniforms	6,428	31,201	35,206	-	2,423
Yearbook	5,854	5,430	5,113	-	6,171
Girls Basketball	-	-	-	-	-
Stats	113	-	-	-	113
Wrestling	2,803	732	2,960	-	575
Football/Weight Lifting	2,928	6,146	5,428	-	3,646
Boys Basketball	1,271	60	172	-	1,159
Baseball	1,541	498	300	-	1,739
Interest	5,173	1,083	106	-	6,150
Speech	363	571	821	-	113

West Hancock Community School District  
Britt, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Volleyball	1,828	440	439	-	1,829
Business Club	4,027	5,482	3,313	-	6,196
Softball	676	-	199	-	477
Junior High Interest	1,980	1,079	-	-	3,059
Golf Co-Ed	758	45	712	-	91
Junior High Student Projects	16,177	18,400	16,825	-	17,752
Elementary Accelerated Reading	10,417	19,592	17,340	-	12,669
High School Student Projects	5,135	3,125	3,047	-	5,213
Angels for Education	253	-	-	-	253
Scoreboard Fundraiser	-	89,774	89,774	-	-
Swat	976	418	311	-	1,083
Total	<u>\$ 113,216</u>	<u>318,882</u>	<u>314,676</u>	<u>-</u>	<u>117,422</u>

See accompanying independent auditor's report.

West Hancock Community School District  
Britt, Iowa

Schedule 4

Combining Balance Sheet  
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 793,465	312,367	1,105,832
Receivables:			
Property tax:			
Delinquent	-	2,867	2,867
Succeeding year	-	243,757	243,757
Other receivables	-	2,355	2,355
Due from other governments	47,073	32,316	79,389
<b>Total assets</b>	<u>\$ 840,538</u>	<u>593,662</u>	<u>1,434,200</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 500	26,822	27,322
Due to other funds	-	53,763	53,763
Total liabilities	500	80,585	81,085
Deferred inflows of resources:			
Unavailable revenues:			
Income Surtax		32,316	32,316
Succeeding year property tax	-	243,757	243,757
Total deferred inflows of resources	-	276,073	276,073
Fund balances:			
Restricted for:			
School infrastructure	840,038	-	840,038
Physical plant and equipment	-	237,004	237,004
Total fund balances	840,038	237,004	1,077,042
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 840,538</u>	<u>593,662</u>	<u>1,434,200</u>

West Hancock Community School District  
Britt, Iowa

Schedule 5

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

Year ended June 30, 2020

	Capital Projects		
	Statewide	Physical	
	Sales, Services	Plant and	
	and Use Tax	Equipment	
		Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	270,924	270,924
Other	4,492	12,572	17,064
State sources	559,008	4,660	563,668
Total revenues	563,500	288,156	851,656
Expenditures:			
Other expenditures:			
Admin	749	-	749
Instructional staff	-	97,529	97,529
Transportation	-	45,369	45,369
Facilities acquisition	589,247	141,013	730,260
Total expenditures	589,996	283,911	873,907
Excess (deficiency) of revenues over (under) expenditures	(26,496)	4,245	(22,251)
Other financing sources (uses):			
Transfers in	-	74,210	74,210
Transfers (out)	(200,827)	(5,527)	(206,354)
Total other financing sources (uses)	(200,827)	68,683	(132,144)
Change in fund balances	(227,323)	72,928	(154,395)
Fund balances beginning of year	1,067,361	164,076	1,231,437
Fund balances end of year	\$ 840,038	237,004	1,077,042

See accompanying independent auditor's report.

West Hancock Community School District  
Britt, Iowa

Schedule 6

Combining Balance Sheet  
Proprietary Funds

June 30, 2020

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 32,375	-	32,375
Accounts receivable	124	-	124
Due from other funds	13,774		13,774
Inventories	<u>12,735</u>	-	<u>12,735</u>
Total current assets	<u>59,008</u>	-	<u>59,008</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>6,697</u>	-	<u>6,697</u>
Total assets	<u>65,705</u>	-	<u>65,705</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	17,976	-	17,976
OPEB related deferred outflows	<u>-</u>	-	<u>-</u>
Total deferred outflows of resources	<u>17,976</u>	-	<u>17,976</u>
<b>Liabilities</b>			
Current liabilities:			
Unearned Revenue	<u>12,572</u>	-	<u>12,572</u>
Total current liabilities	<u>12,572</u>	-	<u>12,572</u>
Noncurrent liabilities:			
Net pension liability	81,295	-	81,295
Total OPEB liability	<u>5,415</u>	-	<u>5,415</u>
Total noncurrent liabilities	<u>86,710</u>	-	<u>86,710</u>
Total liabilities	<u>99,282</u>	-	<u>99,282</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	12,095	-	12,095
OPEB related deferred inflows	<u>1,241</u>	-	<u>1,241</u>
Total deferred inflows of resources	<u>13,336</u>	-	<u>13,336</u>
<b>Net Position</b>			
Net investment in capital assets	6,697	-	6,697
Unrestricted	<u>(35,634)</u>	-	<u>(35,634)</u>
Total net position	<u>\$ (28,937)</u>	-	<u>(28,937)</u>

See accompanying independent auditor's report.

West Hancock Community School District  
Britt, Iowa

Schedule 7

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

Year ended June 30, 2020

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 89,662	8,700	98,362
Miscellaneous	<u>1,410</u>	<u>-</u>	<u>1,410</u>
Total operating revenues	<u>91,072</u>	<u>8,700</u>	<u>99,772</u>
Operating expenses:			
Instruction:			
Regular	<u>-</u>	<u>8,729</u>	<u>8,729</u>
Non-instructional programs:			
Salaries	86,384	-	86,384
Benefits	45,609	-	45,609
Purchased services	4,496	-	4,496
Supplies	130,613	-	130,613
Depreciation	<u>2,333</u>	<u>-</u>	<u>2,333</u>
Total operating expenses	<u>269,435</u>	<u>8,729</u>	<u>278,164</u>
Operating income (loss)	<u>(178,363)</u>	<u>(29)</u>	<u>(178,392)</u>
Non-operating revenues:			
State sources	2,304	-	2,304
Federal sources	144,236	-	144,236
Interest income	<u>1,280</u>	<u>29</u>	<u>1,309</u>
Total non-operating revenues	<u>147,820</u>	<u>29</u>	<u>147,849</u>
Income (loss) before transfer in	<u>(30,543)</u>	<u>-</u>	<u>(30,543)</u>
Transfer in	<u>13,774</u>	<u>-</u>	<u>13,774</u>
Increase (decrease) in net position	(16,769)	-	(16,769)
Net position beginning of year	<u>(12,168)</u>	<u>-</u>	<u>(12,168)</u>
Net position end of year	<u>\$ (28,937)</u>	<u>-</u>	<u>(28,937)</u>

See accompanying independent auditor's report.



West Hancock Community School District  
Britt, Iowa

Schedule 8

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2020

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 96,936	-	96,936
Cash received from other services	1,410	8,700	10,110
Cash paid to employees for services	(125,608)	(8,729)	(134,337)
Cash paid to suppliers for goods or services	<u>(115,584)</u>	<u>-</u>	<u>(115,584)</u>
Net cash (used by) operating activities	<u>(142,846)</u>	<u>(29)</u>	<u>(142,875)</u>
Cash flows from non-capital financing activities:			
State grants received	2,304	-	2,304
Federal grants received	<u>119,153</u>	<u>-</u>	<u>119,153</u>
Net cash provided by non-capital financing activities	<u>121,457</u>	<u>-</u>	<u>121,457</u>
Cash flows from investing activities:			
Interest on investments	<u>1,280</u>	<u>29</u>	<u>1,309</u>
Net increase in cash and cash equivalents	(20,109)	-	(20,109)
Cash and cash equivalents beginning of year	<u>52,484</u>	<u>-</u>	<u>(20,109)</u>
Cash and cash equivalents end of year	<u>\$ 32,375</u>	<u>-</u>	<u>32,375</u>

West Hancock Community School District  
Britt, Iowa

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2020

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash provided by ( used by) operating activities:</b>			
Operating (loss)	\$ (178,363)	(29)	(178,392)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	25,083	-	25,083
Depreciation	2,333	-	2,333
(Increase) decrease in accounts receivable	773	-	773
(Increase) decrease in inventories	(5,558)	-	(5,558)
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in unearned revenue	6,501	-	6,501
Increase (decrease) in net pension liability	(5,632)	-	(5,632)
(Increase) decrease in deferred outflows of resources	(933)	-	(933)
Increase (decrease) in deferred inflows of resources	13,422	-	13,422
Increase (decrease) in OPEB liability	(472)	-	(472)
Net cash (used by) operating activities	<u>\$ (142,846)</u>	<u>(29)</u>	<u>(142,875)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2020, the District received \$25,083  
of federal commodities.

See accompanying independent auditor's report.

West Hancock Community School District  
Britt, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Local sources:				
Local tax	\$ 3,546,139	3,828,392	3,761,772	4,028,929
Tuition	467,596	505,321	514,956	384,910
Other	547,813	459,691	384,335	466,599
Intermediate sources	-	-	-	-
State sources	3,629,564	3,543,217	3,585,141	3,290,446
Federal sources	340,695	364,771	371,634	408,619
Total	<u>\$ 8,531,807</u>	<u>8,701,392</u>	<u>8,617,838</u>	<u>8,579,503</u>
Expenditures:				
Instruction:				
Regular	\$ 2,998,343	2,951,752	3,006,249	2,990,500
Special	705,132	710,343	670,925	708,750
Other	1,275,665	1,319,825	1,302,348	1,309,000
Support services:				
Student	70,304	70,753	72,127	66,524
Instructional staff	342,383	326,288	354,491	333,370
Administration	783,922	816,252	832,452	807,763
Operation and maintenance of plant	802,971	788,847	762,618	733,085
Transportation	278,123	290,195	292,161	280,935
Other support	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Community services	100,559	5,500	28,700	386
Facilities acquisition	730,260	573,242	129,300	227,394
Long-term debt:				
Principal	267,500	2,616,000	680,000	635,000
Interest and other charges	34,527	185,115	170,544	140,033
AEA flowthrough	255,509	251,918	254,827	252,733
Total	<u>\$ 8,645,198</u>	<u>10,906,030</u>	<u>8,556,742</u>	<u>8,485,473</u>

See accompanying independent auditor's report.

## Schedule 9

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
3,229,101	3,206,166	3,385,561	3,848,606	3,597,976	3,438,226
386,719	313,858	332,134	319,592	302,572	283,030
492,113	405,264	326,696	360,457	521,723	458,126
-	-	-	-	-	-
3,784,055	3,676,269	3,415,217	3,049,301	3,082,857	2,745,614
370,048	342,022	225,204	225,800	371,159	313,497
<u>8,262,036</u>	<u>7,943,579</u>	<u>7,684,812</u>	<u>7,803,756</u>	<u>7,876,287</u>	<u>7,238,493</u>
3,080,501	2,857,651	2,864,062	2,701,814	2,820,041	2,510,670
751,980	712,446	575,464	552,747	601,056	674,734
1,052,439	1,161,225	1,094,405	1,130,980	1,118,259	1,157,142
136,200	66,149	66,050	63,791	63,074	54,060
158,876	185,259	154,006	230,544	172,272	130,159
757,469	698,651	664,559	584,130	644,635	546,221
769,250	824,679	756,262	670,775	719,977	622,477
321,030	291,211	362,539	289,067	272,663	297,098
-	-	-	-	-	-
-	-	-	-	-	-
7,500	-	27,249	-	5,354	20,119
357,838	194,681	116,819	161,355	516,887	1,551,652
775,000	610,000	648,091	681,444	4,874,164	464,237
157,392	171,638	179,306	190,620	386,858	346,669
258,967	247,236	248,131	242,057	241,824	258,771
<u>8,584,442</u>	<u>8,020,826</u>	<u>7,756,943</u>	<u>7,499,324</u>	<u>12,437,064</u>	<u>8,634,009</u>

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

714 14<sup>th</sup> Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

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  
West Hancock 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 West Hancock Community School District as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2021.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 Part I of the accompanying Schedule of Findings as items I-A-20 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-20 to be a significant deficiency.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 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.

#### West Hancock Community School District's Responses to Findings

West Hancock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. West Hancock 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 West Hancock 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.

*Cornwell, Frideres, Maher & Associates, P.L.C.*

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 17, 2021

West Hancock Community School District  
Britt, Iowa

Schedule of Findings

Year ended June 30, 2020

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

**INTERNAL CONTROL DEFICIENCIES**

**I-A-20 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 – Various duties such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information may be prepared by the same person.

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 segregation of duties is difficult with a limited number of office employees. However, the District is giving copies of the bank statements, along with the reconciliations to the Board, which helps mitigate this deficiency.

Conclusion - Response accepted. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.



West Hancock Community School District  
Britt, Iowa

Schedule of Findings

Year ended June 30, 2020

I-B-20 Preparation of Financial Statements

Criteria – The District should have a system of internal control that allows for the preparation of financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles.

Condition – As is inherent in many governmental entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise needed to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

Cause – Management has concluded that relying on the assistance of the auditor to draft the financial statements is more cost-effective than hiring additional staff or having existing staff obtain training necessary to do this.

Effect – The potential effect of this control weakness is that errors could occur in the financial statements and not be detected by management.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of District management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

West Hancock Community School District  
Britt, Iowa

Schedule of Findings

Year ended June 30, 2020

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

II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 exceeded the amended certified budget amount in the instruction & other expenditures functions.

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

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

Conclusion – Response accepted.

II-B-20 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-20 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board.

West Hancock Community School District  
Britt, Iowa

Schedule of Findings

Year ended June 30, 2020

- II-H-20 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-20 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-J-20 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.
- II-K-20 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely. However, it was noted that one fund, the Voted PPEL special revenue fund was omitted from the CAR.

Recommendation – The District should review their chart of accounts, to help insure all funds are included with the CAR.

Response - We have combined our PPEL accounts, so this should be corrected in future years.

Conclusion – Response accepted.

- II-L-20 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

West Hancock Community School District  
Britt, Iowa

Schedule of Findings

Year ended June 30, 2020

- II-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,067,361
Revenues:		
Sales tax revenues	\$ 559,008	
Other local revenues	<u>4,492</u>	<u>563,500</u>
		1,630,861
Expenditures/transfers out:		
Administration	749	
Facilities Acquisition & Construction	589,247	
Transfers out	<u>200,827</u>	<u>790,823</u>
Ending balance		\$ <u>840,038</u>

- II-N-20 Deficit Balances – The Enterprise, School Nutrition Fund had a deficit net position at June 30, 2020. The primary reason for this deficit net position is due to the implementation of GASB Statement No. 68 during the prior fiscal year

Recommendation – The district should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statement 68 will affect the District's financial moving forward.

Response – We will review the above recommendations.

Conclusion – Response accepted.