

**SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT
JEWELL, IOWA**

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

YEAR ENDED JUNE 30, 2020

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South Hamilton Community School District
Jewell, Iowa

Officials

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

(Before November 2019 Election)

Joely Swenson	President	2019
Amber Van De Pol	Vice President	2019
Dave Gordon	Board Member	2021
Nikki Struchen	Board Member	2021
Duane Vavroch	Board Member	2019

(After November 2019 Election)

Joely Swenson	President	2023
Dave Gordon	Vice President	2021
Meryl Scarrow	Board Member	2023
Jay Moline	Board Member	2021
Leigh Miller	Board Member	2023

School Officials

Dr. Ken Howard	Superintendent	2020
Janet Greufe	District Secretary/Treasurer and Business Manager	Indefinite
Engel Law	Attorney	Indefinite

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

Certified Public Accountants

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Fort Dodge, IA 50501-7098
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Independent Auditor's Report

Jerilyn J. Maher, C.P.A.
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To the Board of Education of
South Hamilton 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 South Hamilton Community School District, Jewell, 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 on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the following paragraph, we believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

The financial statements of the South Hamilton School District Foundation have not been audited, and we were not engaged to audit the South Hamilton School District Foundation's financial statements as part of our audit of the South Hamilton Community School District's basic financial statements. The South Hamilton School District Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion on Discretely Presented Component Unit

Because the South Hamilton School District Foundation's financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit of the South Hamilton Community School District, as of and for the year ended June 30, 2020.

Opinions

In our opinion, the financial statements referred to in the first paragraph of this report 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 South Hamilton Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 14 and 65 through 73 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 South Hamilton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 March 30, 2021 on our consideration of South Hamilton 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 South Hamilton 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

March 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Hamilton 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.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,630,173 in fiscal year 2019 to \$8,167,924 in fiscal year 2020, while General Fund expenditures decreased from \$8,607,402 in fiscal year 2019 to \$8,375,422 in fiscal year 2020. The District's General Fund balance decreased from \$2,375,674 at the end of fiscal year 2019, to \$2,162,618 at the end of fiscal year 2020, a 9.0% decrease.
- The fiscal year 2020 General Fund revenue decrease was attributable to a decrease in local tax and tuition revenues. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits and support services expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of South Hamilton Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component units:* This includes the activities of the South Hamilton School District Foundation. The District receives significant financial benefits from this component unit although it is a legally separate entity.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds, as follows:

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain revenues and expenses as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-1
Condensed Statement of Net Position
(Expressed in Thousands)

	<u>Governmental</u> <u>Activities</u> <u>June 30,</u>		<u>Business Type</u> <u>Activities</u> <u>June 30,</u>		<u>Total</u> <u>District</u> <u>June 30,</u>		<u>Total</u> <u>Change</u> <u>June 30,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019-2020</u>
Current and other assets	\$ 10,227	9,952	72	82	10,299	10,034	2.6%
Capital assets	18,750	18,806	142	158	18,892	18,964	-0.4%
Total assets	28,977	28,758	214	240	29,191	28,998	0.7%
Deferred outflows of resources	1,251	1,121	50	35	1,301	1,156	12.5%
Long-term liabilities	14,125	14,665	146	136	14,271	14,801	-3.6%
Other liabilities	952	926	16	9	968	935	3.5%
Total liabilities	15,077	15,591	162	145	15,239	15,736	-3.2%
Deferred inflows of resources	5,054	4,464	26	12	5,080	4,476	13.5%
Net position:							
Net investment in							
capital assets	9,078	8,596	142	158	9,220	8,754	5.3%
Restricted	2,973	2,738	---	---	2,973	2,738	8.6%
Unrestricted	(1,954)	(1,510)	(66)	(40)	(2,020)	(1,550)	-30.3%
Total net position	\$ 10,097	9,824	76	118	10,173	9,942	2.3%

The District's total net position increased 2.3%, or approximately \$231,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$235,000, or 8.6%, over the prior year. The increase was primarily a result of the increase in net position of the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately 470,000, or 30.3%. This reduction in unrestricted net position was a result of the District’s General Fund revenues decreasing from the prior year and of the increase in the District’s net pension and total OPEB liabilities.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

<p align="center">Figure A-2 Changes in Net Position (Expressed in Thousands)</p>							
	<u>Governmental</u> <u>Activities</u>		<u>Business Type</u> <u>Activities</u>		<u>Total</u> <u>District</u>		<u>Total</u> <u>Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019-2020</u>
Revenues:							
Program revenues:							
Charges for service	\$ 1,448	1,616	194	258	1,642	1,874	-12.4%
Operating grants, contributions and restricted interest	1,391	1,305	243	208	1,634	1,513	8.0%
Capital grants, contributions and restricted interest	---	---	1	---	1	---	100.0%
General revenues:							
Property tax	4,133	4,399	---	---	4,133	4,399	-6.0%
Statewide sales, services and use tax	653	654	---	---	653	654	-0.2%
Income surtax	380	342	---	---	380	342	11.1%
Unrestricted state grants	2,700	2,661	---	---	2,700	2,661	1.5%
Unrestricted investment earnings	55	34	---	---	55	34	61.8%
Other	52	92	---	---	52	92	-43.5%
Sale of fixed assets	(94)	(18)	---	---	(94)	(18)	-422.2%
Total revenues	<u>10,718</u>	<u>11,085</u>	<u>438</u>	<u>466</u>	<u>11,156</u>	<u>11,551</u>	<u>-3.4%</u>
Program expenses:							
Instruction	6,267	6,378	7	19	6,274	6,397	-1.9%
Support services	3,137	3,021	---	---	3,137	3,021	3.8%
Non-instructional programs	---	---	473	477	473	477	-0.8%
Other expenses	1,041	1,148	---	---	1,041	1,148	-9.3%
Total expenses	<u>10,445</u>	<u>10,547</u>	<u>480</u>	<u>496</u>	<u>10,925</u>	<u>11,043</u>	<u>-1.1%</u>
Change in net position	273	538	(42)	(30)	231	508	-54.5%
Net position beginning of year	<u>9,824</u>	<u>9,286</u>	<u>118</u>	<u>148</u>	<u>9,942</u>	<u>9,434</u>	<u>5.4%</u>
Net position end of year	<u>\$ 10,097</u>	<u>9,824</u>	<u>76</u>	<u>118</u>	<u>10,173</u>	<u>9,942</u>	<u>2.3%</u>

In fiscal year 2020, property tax and unrestricted state grants accounted for 63.8% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue. The District’s total revenues were approximately \$11.2 million, of which approximately \$10.7 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced 3.4% decrease in revenues and a 1.1% decrease in expenses. Charges for service revenue decreased approximately \$232,000 and property tax revenue decreased approximately \$266,000 which accounts for most of the decrease in revenue. The decrease in expenses is primarily related to reducing General Fund expenditures and less in facilities acquisition costs during the year.

Governmental Activities

Revenues for governmental activities were \$10,718,174 and expenses were \$10,445,261 for the year ended June 30, 2020.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to those expenses for the year ended June 30, 2019.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	<u>2020</u>	<u>2019</u>	<u>Change</u> <u>2019-2020</u>	<u>2020</u>	<u>2019</u>	<u>Change</u> <u>2019-2020</u>
Instruction	\$ 6,267	6,378	-1.7%	3,957	3,987	-0.8%
Support services	3,137	3,021	3.8%	2,891	2,772	4.3%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	<u>1,041</u>	<u>1,148</u>	<u>-9.3%</u>	<u>758</u>	<u>868</u>	<u>-12.7%</u>
Total	<u>\$ 10,445</u>	<u>10,547</u>	<u>-1.0%</u>	<u>7,606</u>	<u>7,627</u>	<u>-0.3%</u>

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$1,448,228.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,390,656.
- The net cost of governmental activities was financed with \$5,165,747 of property and other taxes and \$2,700,318 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2020 were \$438,257 representing a 5.9% decrease from the prior year, while expenses totaled \$479,790, a 3.3% decrease from the prior year. The District's business type activities include the School Nutrition Fund, and the Agri. Science Tech Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,568,817, below last year's ending fund balances of \$4,573,534. Although the General Fund balance decreased, the other funds balance increased resulting in a small decrease from the prior year.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,375,674 to \$2,162,618. The District decreased expenditures but also had a decrease in revenues requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Debt Service Fund balance increased from \$45,547 at the end of fiscal year 2019 to \$53,329 at the end of fiscal year 2020. Property tax revenues increased approximately \$104,000 while expenditures increased approximately \$112,000 over the prior year. The District levied extra property taxes to make an escrow payment on the general obligations bonds to be called in June of 2024.
- The Capital Projects Fund balance increased from \$1,554,385 at the end of fiscal year 2019 to \$1,705,467 at the end of fiscal year 2020. The primary reason for the increase was due to a decrease in expenditures related to various improvement projects of the District as these projects have been completed.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$106,443 at June 30, 2019 to \$66,394 at June 30, 2020, representing a decrease of approximately 37.6%. Revenue decreased approximately \$23,000 from the prior year as expenditures remained nearly the same.

The Agri. Science Tech. Student Construction Fund net position decreased from \$11,372 at June 30, 2019 to \$9,888 at June 30, 2020, representing a decrease of approximately 13.0%. Revenue decreased approximately \$6,000 and expenditures decreased approximately \$12,500.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$182,873 less than total budgeted revenues, a variance of 1.6%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested approximately \$18.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 0.4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$803,733.

The original cost of the District's capital assets was approximately \$27.0 million. Governmental funds account for approximately \$26.6 million, with less than \$0.4 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 39	39	-	-	39	39	0.0%
Construction in progress	10	44	-	-	10	44	-77.3%
Buildings	16,332	16,399	-	-	16,332	16,399	-0.4%
Improvements other than buildings	1,388	1,460	-	-	1,388	1,460	-4.9%
Furniture and equipment	981	864	142	158	1,123	1,022	9.9%
Total	\$ 18,750	18,806	142	158	18,892	18,964	-0.4%

Long-Term Debt

At June 30, 2020, the District had \$9,792,930 in total long-term debt outstanding. This represents a decrease of approximately 5.2% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$26 million.

The District had total outstanding bonded indebtedness at June 30, 2020 of \$8,048,405 which includes premiums of \$243,405.

Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2020	2019	2019-2020
General obligation bonds	\$ 8,048	8,699	-7.5%
Note payable	1,334	1,512	-11.8%
Bus note payable	290	---	100.0%
Termination benefits	121	124	-2.4%
Total	\$ <u>9,793</u>	<u>10,335</u>	<u>-5.2%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Previous trend line data showed the District's student enrollment numbers to be steady and was projected to continue a similar trend prior to this school year, however, with the onset of the Covid pandemic the reality was there was a significant decline. For FY21, the student enrollment decreased by 19 students.
- The South Hamilton Community Schools has maintained a long history of receiving a significant number of students "open enrolled into" the District from the surrounding area. The substantially higher number of students "open enrolling in versus those choosing to open enroll out" yields positive gains as per South Hamilton student enrollment and the accompanying funds the District receives for their attendance. This enrollment trend continued and data shows the number of open enrolled in students to hold steady over the next year.
- The State of Iowa's current trend is to provide limited and inadequate annual educational funding, in addition to, its more common practice to designate most all new funding in a restrictive manner. This trend looks to continue with the State supplemental aid being established at 2.4% for FY22, and likely at a similar % for the coming fiscal years.
- The overall national and state economic climates are extremely challenging to all individuals and businesses in Iowa, including public schools that are dependent on State funds. The local economy has seen growth over the last 48 months. The communities and surrounding areas have added a number of full and part-time jobs due to business expansion and the introduction of a few new enterprises.

- The District's General Fund budget continues to be strained due to the fact many of the certified staff members are long-time employees, thus the overall average salary is significantly higher than is typical for a district of similar size. In addition, data shows historical salary settlements percentages with the certified staff have not aligned with state settlement averages and/or the 'new money' percentages afforded on an annual basis. The notable difference between available funding versus additional costs of settlements is impacting current fund balances. However, the bargained % of annual increase in staffing cost has been notably lower than the previous ten-year period.
- The South Hamilton Community School District's recorded a slight increase in its unspent balance. The District has developed a long-term plan to adjust expenditures and reduce costs as required by the School Budget Review Committee the previous fiscal year. The District experienced a positive unspent balance for the fiscal year ending June 30, 2020, and positive trend is expected to occur with the closure of FY21 due to adjustments made in District costs.
- It should be noted that the Covid pandemic has negatively affected all economies world-wide; it has caused financial havoc and uncertainty with local school district budgets as well. This reality must be taken into consideration as plans are made for FY22 and the foreseeable future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janet Greufe, District Secretary/Treasurer and Business Manager, South Hamilton Community School District, 315 Division Street, Jewell, Iowa, 50130.

Basic Financial Statements

South Hamilton Community School District
Jewell, Iowa

Exhibit A

Statement of Net Position

June 30, 2020

	Primary Government			Component Unit
	Governmental	Business Type		South Hamilton
	Activities	Activities	Total	School District
				Foundation
Assets				
Cash, cash equivalents and investments	\$ 4,953,355	62,076	5,015,431	809,261
Receivables:				
Property tax:				
Delinquent	86,517	-	86,517	-
Succeeding year	4,322,068	-	4,322,068	-
Accounts	8,485	1,054	9,539	-
Due from other governments	851,843	-	851,843	-
Due from/to other funds	4,413	(4,413)	-	-
Inventories	-	13,413	13,413	-
Capital assets, net of accumulated depreciation	18,750,164	141,668	18,891,832	-
Total assets	<u>28,976,845</u>	<u>213,798</u>	<u>29,190,643</u>	<u>809,261</u>
Deferred Outflows of Resources				
Pension related deferred outflows	950,641	30,643	981,284	-
OPEB related deferred outflows	300,571	19,774	320,345	-
Total deferred outflows of resources	<u>1,251,212</u>	<u>50,417</u>	<u>1,301,629</u>	<u>-</u>
Liabilities				
Accounts payable	162,234	-	162,234	-
Advances from grantors	48,067	-	48,067	-
Salaries and benefits payable	710,978	-	710,978	-
Unearned revenue	-	16,572	16,572	-
Accrued interest payable	30,743	-	30,743	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	430,000	-	430,000	-
Notes payable	180,000	-	180,000	-
Bus note payable	92,869	-	92,869	-
Termination benefits	120,665	-	120,665	-
Portion due after one year:				
General obligation bonds	7,375,000	-	7,375,000	-
Bond premium	243,405	-	243,405	-
Notes payable	1,135,000	-	1,135,000	-
Loan premium	19,069	-	19,069	-
Bus note payable	196,922	-	196,922	-
Net pension liability	3,918,010	118,272	4,036,282	-
Total OPEB liability	414,567	27,274	441,841	-
Total liabilities	<u>15,077,529</u>	<u>162,118</u>	<u>15,239,647</u>	<u>-</u>

South Hamilton Community School District
Jewell, Iowa

Exhibit A

(continued)

Statement of Net Position

June 30, 2020

	Primary Government			Component Unit
	Governmental	Business Type		South Hamilton
	Activities	Activities	Total	School District
				Foundation
Deferred Inflows of Resources				
Unavailable property tax revenue	4,322,068	-	4,322,068	-
OPEB related deferred inflows	71,044	4,674	75,718	-
Pension related deferred inflows	660,627	21,141	681,768	-
Total deferred inflows of resources	<u>5,053,739</u>	<u>25,815</u>	<u>5,079,554</u>	<u>-</u>
Net Position				
Net investment in capital assets	9,077,899	141,668	9,219,567	-
Restricted for:				
Categorical funding	694,261	-	694,261	-
Management levy purposes	493,381	-	493,381	-
Physical plant and equipment	324,738	-	324,738	-
School infrastructure	1,386,429	-	1,386,429	-
Student activities	40,157	-	40,157	-
Debt service	34,086	-	34,086	-
School District Foundation purposes	-	-	-	809,261
Unrestricted	(1,954,162)	(65,386)	(2,019,548)	-
Total net position	<u>\$ 10,096,789</u>	<u>76,282</u>	<u>10,173,071</u>	<u>809,261</u>

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa
Statement of Activities
Year ended June 30, 2020

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,918,944	1,033,347	545,697	-
Special instruction	1,072,546	178,647	77,010	-
Other instruction	1,275,740	193,264	282,045	-
	<u>6,267,230</u>	<u>1,405,258</u>	<u>904,752</u>	<u>-</u>
Support services:				
Student	162,110	-	-	-
Instructional staff	617,030	8,006	136,239	-
Administration	961,987	-	19	-
Operation and maintenance of plant	917,538	34,964	3,050	-
Transportation	478,508	-	63,485	-
	<u>3,137,173</u>	<u>42,970</u>	<u>202,793</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	16,751	-	-	-
Long-term debt interest	234,069	-	-	-
AEA flowthrough	283,111	-	283,111	-
Depreciation (unallocated)*	506,927	-	-	-
	<u>1,040,858</u>	<u>-</u>	<u>283,111</u>	<u>-</u>
Total governmental activities	<u>10,445,261</u>	<u>1,448,228</u>	<u>1,390,656</u>	<u>-</u>
Business type activities:				
Instruction:				
Other	6,802	5,318	-	-
Non-instructional programs:				
Food service operations	472,988	188,970	242,517	1,298
Total business type activities	<u>479,790</u>	<u>194,288</u>	<u>242,517</u>	<u>1,298</u>
Total primary government	<u>\$ 10,925,051</u>	<u>1,642,516</u>	<u>1,633,173</u>	<u>1,298</u>
Component Unit:				
School District Foundation	<u>\$ 52,232</u>	<u>1,940</u>	<u>37,335</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Loss on sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	South Hamilton School District Foundation
(2,339,900)	-	(2,339,900)	-
(816,889)	-	(816,889)	-
(800,431)	-	(800,431)	-
(3,957,220)	-	(3,957,220)	-
(162,110)	-	(162,110)	-
(472,785)	-	(472,785)	-
(961,968)	-	(961,968)	-
(879,524)	-	(879,524)	-
(415,023)	-	(415,023)	-
(2,891,410)	-	(2,891,410)	-
(16,751)	-	(16,751)	-
(234,069)	-	(234,069)	-
-	-	-	-
(506,927)	-	(506,927)	-
(757,747)	-	(757,747)	-
(7,606,377)	-	(7,606,377)	-
-	(1,484)	(1,484)	-
-	(40,203)	(40,203)	-
-	(41,687)	(41,687)	-
(7,606,377)	(41,687)	(7,648,064)	-
-	-	-	(12,957)
2,866,804	-	2,866,804	-
847,261	-	847,261	-
418,742	-	418,742	-
380,002	-	380,002	-
652,938	-	652,938	-
2,700,318	-	2,700,318	-
54,969	154	55,123	392
51,940	-	51,940	-
(93,684)	-	(93,684)	-
7,879,290	154	7,879,444	392
272,913	(41,533)	231,380	(12,565)
9,823,876	117,815	9,941,691	821,826
\$ 10,096,789	76,282	10,173,071	809,261

South Hamilton Community School District
Jewell, Iowa

Balance Sheet
Governmental Funds

June 30, 2020

Assets	<u>General</u>	Special Revenue Management <u>Levy</u>	Capital <u>Projects</u>	Debt <u>Service</u>
Cash and cash equivalents	\$ 2,600,030	604,378	1,649,000	48,194
Receivables:				
Property tax:				
Delinquent	51,976	9,668	8,238	16,635
Succeeding year	2,597,612	420,000	431,517	872,939
Accounts	2,817	-	-	-
Due from other funds	4,413	-	-	-
Due from other governments	796,862	-	54,981	-
Total assets	<u>\$ 6,053,710</u>	<u>1,034,046</u>	<u>2,143,736</u>	<u>937,768</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 161,182	-	1,052	-
Salaries and benefits payable	710,978	-	-	-
Advances from grantors	48,067	-	-	-
Total liabilities	<u>920,227</u>	<u>-</u>	<u>1,052</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,597,612	420,000	431,517	872,939
Income surtax	336,653	-	-	-
Other	36,600	6,800	5,700	11,500
Total deferred inflows of resources	<u>2,970,865</u>	<u>426,800</u>	<u>437,217</u>	<u>884,439</u>
Fund balances:				
Restricted for:				
Categorical funding	694,261	-	-	-
Debt service	-	-	-	53,329
Management levy purposes	-	607,246	-	-
Student activities	-	-	-	-
School infrastructure	-	-	1,386,429	-
Physical plant and equipment	-	-	319,038	-
Unassigned	1,468,357	-	-	-
Total fund balances	<u>2,162,618</u>	<u>607,246</u>	<u>1,705,467</u>	<u>53,329</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,053,710</u>	<u>1,034,046</u>	<u>2,143,736</u>	<u>937,768</u>

See notes to financial statements.

Exhibit C

Nonmajor	
Special	
<u>Revenue</u>	
Student	
<u>Activity</u>	<u>Total</u>
34,489	4,936,091
-	86,517
-	4,322,068
5,668	8,485
-	4,413
-	851,843
<u>40,157</u>	<u>10,209,417</u>
-	162,234
-	710,978
-	48,067
-	921,279
-	4,322,068
-	336,653
-	60,600
-	4,719,321
-	694,261
-	53,329
-	607,246
40,157	40,157
-	1,386,429
-	319,038
-	1,468,357
<u>40,157</u>	<u>4,568,817</u>
<u>40,157</u>	<u>10,209,417</u>

South Hamilton Community School District
Jewell, 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 20) **\$ 4,568,817**

*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. 18,750,164

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 397,253

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (30,743)

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	\$ 1,251,212	
Deferred inflows of resources	<u>(731,671)</u>	519,541

Long-term liabilities, including bonds and notes payable, termination benefits, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (14,125,507)

An internal service fund is used by the District to charge the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 17,264

Net position of governmental activities (page 16) **\$ 10,096,789**

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

	<u>General</u>	<u>Special Revenue Management Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Revenues:				
Local sources:				
Local tax	\$ 2,751,330	443,745	413,042	835,760
Tuition	1,170,959	-	-	-
Other	183,960	6,941	17,882	2,947
State sources	3,916,808	4,863	659,764	13,812
Federal sources	144,867	-	-	-
Total revenues	<u>8,167,924</u>	<u>455,549</u>	<u>1,090,688</u>	<u>852,519</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,678,946	179,764	165,970	-
Special	1,041,621	-	-	-
Other	1,059,797	-	-	-
	<u>5,780,364</u>	<u>179,764</u>	<u>165,970</u>	<u>-</u>
Support services:				
Student	130,876	-	-	-
Instructional staff	415,047	-	44,019	-
Administration	834,323	7,063	30,602	-
Operation and maintenance of plant	605,806	202,944	117,871	-
Transportation	325,895	25,703	330,077	-
	<u>2,311,947</u>	<u>235,710</u>	<u>522,569</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	350,250	-
Long-term debt:				
Principal	-	-	-	810,000
Interest and fiscal charges	-	-	-	241,500
AEA flowthrough	283,111	-	-	-
	<u>283,111</u>	<u>-</u>	<u>350,250</u>	<u>1,051,500</u>
Total expenditures	<u>8,375,422</u>	<u>415,474</u>	<u>1,038,789</u>	<u>1,051,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,498)</u>	<u>40,075</u>	<u>51,899</u>	<u>(198,981)</u>
Other financing sources (uses):				
Bus loan notes issued	-	-	289,791	-
Proceeds from the sale of fixed assets	-	-	16,155	-
Transfers in	-	-	-	206,763
Transfers out	(5,558)	-	(206,763)	-
Total other financing sources (uses)	<u>(5,558)</u>	<u>-</u>	<u>99,183</u>	<u>206,763</u>
Change in fund balances	(213,056)	40,075	151,082	7,782
Fund balances beginning of year	2,375,674	567,171	1,554,385	45,547
Fund balances end of year	<u>\$ 2,162,618</u>	<u>607,246</u>	<u>1,705,467</u>	<u>53,329</u>

See notes to financial statements.

Exhibit E

Nonmajor Special <u>Revenue</u> Student <u>Activity</u>	<u>Total</u>
-	4,443,877
-	1,170,959
176,248	387,978
-	4,595,247
-	144,867
<u>176,248</u>	<u>10,742,928</u>
-	4,024,680
-	1,041,621
<u>172,406</u>	<u>1,232,203</u>
<u>172,406</u>	<u>6,298,504</u>
-	130,876
-	459,066
-	871,988
-	926,621
-	681,675
-	<u>3,070,226</u>
-	350,250
-	810,000
-	241,500
-	283,111
-	<u>1,684,861</u>
<u>172,406</u>	<u>11,053,591</u>
<u>3,842</u>	<u>(310,663)</u>
-	289,791
-	16,155
5,558	212,321
-	<u>(212,321)</u>
<u>5,558</u>	<u>305,946</u>
9,400	(4,717)
<u>30,757</u>	<u>4,573,534</u>
<u>40,157</u>	<u>4,568,817</u>

South Hamilton Community School District
Jewell, Iowa

Exhibit F

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

Year ended June 30, 2020

Change in fund balances - total governmental funds (page 23)	\$	(4,717)
--------------------------------------------------------------	----	---------

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

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

Expenditures for capital assets	\$ 840,158	
Depreciation	<u>(786,256)</u>	53,902

Proceeds from the sale of capital assets is reported in the governmental funds, however, in the Statement of Activities it is netted against the book value of assets being disposed of and only the gain/loss is recognized.

Book value of capital assets disposed		(109,839)
---------------------------------------	--	-----------

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds, as follows:

Income surtax	8,330	
Property tax	<u>60,600</u>	68,930

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 and premium amortization are as follows:

Issued	(289,791)	
Premium on bonds issued	18,049	
Repaid	<u>810,000</u>	538,258

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(10,618)

(Continued)

South Hamilton Community School District
Jewell, Iowa

Exhibit F

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

(Continued)

Year ended June 30, 2020

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

474,837

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:

Early retirement	3,335	
Pension expense	(707,961)	
OPEB expense	<u>(34,779)</u>	(739,405)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

1,565

Change in net position of governmental activities (page 18)

\$ 272,913

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2020

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,076	17,264
Accounts receivable	1,054	-
Inventories	13,413	-
Total current assets	<u>76,543</u>	<u>17,264</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>141,668</u>	-
Total assets	<u>218,211</u>	<u>17,264</u>
 Deferred Outflows of Resources		
Pension related deferred outflows	30,643	-
OPEB related deferred outflows	19,774	-
Total deferred outflows of resources	<u>50,417</u>	<u>-</u>
 Liabilities		
Current liabilities:		
Due to other funds	4,413	-
Unearned revenue	16,572	-
Total current liabilities	<u>20,985</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	118,272	-
Total OPEB liability	27,274	-
Total noncurrent liabilities	<u>145,546</u>	<u>-</u>
Total liabilities	<u>166,531</u>	<u>-</u>
		(continued)

South Hamilton Community School District
Jewell, Iowa

Exhibit G
(continued)

Statement of Net Position
Proprietary Fund

June 30, 2020

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Deferred Inflows of Resources		
Pension related deferred inflows	21,141	-
OPEB related deferred inflows	<u>4,674</u>	<u>-</u>
Total deferred inflows of resources	<u>25,815</u>	<u>-</u>
Net Position		
Net investment in capital assets	141,668	-
Unrestricted	<u>(65,386)</u>	<u>17,264</u>
Total net position	<u>\$ 76,282</u>	<u>17,264</u>

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa

Exhibit H

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

Year ended June 30, 2020

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 193,210	-
Miscellaneous	<u>1,078</u>	<u>37,921</u>
Total operating revenues	<u>194,288</u>	<u>37,921</u>
Operating expenses:		
Instruction:		
Supplies	<u>6,802</u>	<u>-</u>
Non-instructional programs:		
Salaries	168,968	-
Benefits	69,020	36,542
Purchased services	538	-
Supplies	216,985	-
Depreciation	<u>17,477</u>	<u>-</u>
	<u>472,988</u>	<u>36,542</u>
Total operating expenses	<u>479,790</u>	<u>36,542</u>
Operating income (loss)	<u>(285,502)</u>	<u>1,379</u>
Non-operating revenues:		
State sources	3,178	-
Federal sources	239,220	-
Interest income	154	186
Contributions	<u>119</u>	<u>-</u>
Total non-operating revenues	<u>242,671</u>	<u>186</u>
Income (loss) before capital asset contributions	(42,831)	1,565
Capital asset contributions	<u>1,298</u>	<u>-</u>
Increase (decrease) in net position	(41,533)	1,565
Net position beginning of year	<u>117,815</u>	<u>15,699</u>
Net position end of year	<u>\$ 76,282</u>	<u>17,264</u>
See notes to financial statements.		

South Hamilton Community School District
Jewell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

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	\$ 196,905	-
Cash received from other services	6,342	37,921
Cash paid to employees for services	(229,730)	(36,542)
Cash paid to suppliers for goods or services	<u>(184,188)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(210,671)</u>	<u>1,379</u>
Cash flows from non-capital financing activities:		
Contributions	119	
State grants received	3,178	-
Federal grants received	197,708	-
General Fund loan received	<u>790</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>201,795</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>154</u>	<u>186</u>
Net increase (decrease) in cash and cash equivalents	(8,722)	1,565
Cash and cash equivalents beginning of year	<u>70,798</u>	<u>15,699</u>
Cash and cash equivalents end of year	<u><u>\$ 62,076</u></u>	<u><u>17,264</u></u>

(continued)

South Hamilton Community School District
Jewell, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

(continued)

Year ended June 30, 2020

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (285,502)	1,379
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	41,512	-
Depreciation	17,477	-
Decrease in accounts receivable	1,709	-
Increase in inventories	(1,271)	-
Decrease in accounts payable	(104)	-
Increase in unearned revenue	7,250	-
Decrease in net pension liability	(8,461)	-
Increase in deferred outflows of resources	(15,726)	-
Increase in deferred inflows of resources	14,220	-
Increase in OPEB liability	18,225	-
Net cash provided by (used by) operating activities	<u>\$ (210,671)</u>	<u>1,379</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2020, the District received \$41,512 of federal commodities.

During the year ended June 30, 2020, the District received \$1,298 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2020

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and investments	\$ 18,619	685
Total assets	<u>18,619</u>	<u>685</u>
Liabilities		
Other payables	-	685
Total liabilities	<u>-</u>	<u>685</u>
Net Position		
Restricted for:		
Scholarships	18,619	-
	<u>\$ 18,619</u>	<u>-</u>

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2020

Private
Purpose
Trust
Scholarship

Additions:

Local sources:

Gifts and contributions

\$ 4,939

Interest income

163

Total additions

5,102

Deductions:

Instruction:

Regular:

Scholarships awarded

5,387

Change in net position

(285)

Net position beginning of year

18,904

Net position end of year

\$ 18,619

See notes to financial statements.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

South Hamilton 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 Jewell, Ellsworth, Randall and Stanhope, Iowa and the predominate agricultural territory in a portion of Boone and Hamilton 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, South Hamilton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has one component unit which meets the Governmental Accounting Standards Board criteria.

The financial statements present the South Hamilton Community School District and its component unit. Its component unit, discussed below, is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The South Hamilton School District Foundation is a separate nonprofit organization organized to maintain, develop, increase and extend the facilities and services of the South Hamilton Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the South Hamilton Community School District. The records are

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

maintained on the basis of cash receipts and disbursements. The School District Foundation meets the definition of a component unit which should be discretely presented. The Foundation's financial statements have not been audited and we do not express an opinion on them.

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

B. Basis of Presentation

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

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

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

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

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.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

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

Fund Financial Statements— Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 and the Nonmajor Enterprise Funds.

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 Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments, and certain early retirement benefits.

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

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

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

The Districts' proprietary funds are the Enterprise, School Nutrition Fund, the Agricultural Science Technology Student Construction Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Agricultural Science Technology Student Construction Fund is used to account for student construction projects held for resale. The Internal Service Fund is used to account for the District's employee flexible benefit plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

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

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

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

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

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

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

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 Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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.

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.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost 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	\$ 25,000
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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
Intangibles	3-20
Improvements other than buildings	20
Furniture and equipment	5-20

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB 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.

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the South Hamilton 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.

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 in the fund financial statements 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 classification.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

E. 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.

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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.

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

	Statement of <u>Net Position</u>	Statement of <u>Fiduciary Net Position</u>	Component <u>Unit</u>
Depository accounts	\$ 5,015,431	13,738	139,526
Certificate of deposit	---	5,566	---
Investments	---	---	669,735
	<u>\$ 5,015,431</u>	<u>19,304</u>	<u>809,261</u>

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

The Component Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements as of June 30, 2020 were valued using quoted market prices (Level 1 inputs).

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.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	Nutrition	<u>\$4,413</u>

The Enterprise, Nutrition Fund will reimburse the General Fund for July and August 2020 payroll that was initially processed through the General Fund. The balance will be repaid by June 30, 2021.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

(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>
Special Revenue:		
Student Activity	General	\$ 5,558
Debt Service	Capital Projects:	
	Physical Plant and	
	Equipment Levy	<u>206,763</u>
Total		\$ <u>212,321</u>

The transfer from the General Fund to the Student Activity Fund was for reimbursement of safety equipment expenses.

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

South Hamilton Community School District
Jewell, 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 39,301	---	---	39,301
Construction in progress	<u>43,922</u>	<u>138,883</u>	<u>(173,305)</u>	<u>9,500</u>
Total capital assets not being depreciated	<u>83,223</u>	<u>138,883</u>	<u>(173,305)</u>	<u>48,801</u>
Capital assets being depreciated:				
Buildings	21,672,045	351,889	---	22,023,934
Improvements other than buildings	1,970,893	16,031	---	1,986,924
Furniture and equipment	<u>2,594,451</u>	<u>506,661</u>	<u>(522,914)</u>	<u>2,578,198</u>
Total capital assets being depreciated	<u>26,237,389</u>	<u>874,581</u>	<u>(522,914)</u>	<u>26,589,056</u>
Less accumulated depreciation for:				
Buildings	5,272,780	419,572	---	5,692,352
Improvements other than buildings	511,378	87,355	---	598,733
Furniture and equipment	<u>1,730,353</u>	<u>279,329</u>	<u>(413,074)</u>	<u>1,596,608</u>
Total accumulated depreciation	<u>7,514,511</u>	<u>786,256</u>	<u>(413,074)</u>	<u>7,887,693</u>
Total capital assets being depreciated, net	<u>18,722,878</u>	<u>88,325</u>	<u>(109,840)</u>	<u>18,701,363</u>
Governmental activities capital assets, net	\$ <u>18,806,101</u>	<u>227,208</u>	<u>(283,145)</u>	<u>18,750,164</u>
Business type activities:				
Furniture and equipment	\$ 392,308	1,298	---	393,606
Less accumulated depreciation	<u>234,461</u>	<u>17,477</u>	<u>---</u>	<u>251,938</u>
Business type activities capital assets, net	\$ <u>157,847</u>	<u>(16,179)</u>	<u>---</u>	<u>141,668</u>

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 251
Other	4,528

Support services:

Instructional staff	151,484
Administration	3,234
Operation and maintenance of plant	31,770
Transportation	<u>88,062</u>
	279,329

Unallocated 506,927

Total depreciation expense – governmental activities \$ 786,256

Business type activities:

Food service operations \$ 17,477

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 8,698,697	---	650,292	8,048,405 (1)	430,000
Note payable	1,511,826	---	177,757	1,334,069 (2)	180,000
Bus note payable	---	289,791	---	289,791	92,869
Termination benefits	124,000	120,665	124,000	120,665	120,665
Net pension liability	4,192,773	---	274,763	3,918,010	---
Total OPEB liability	<u>137,540</u>	<u>277,027</u>	<u>---</u>	<u>414,567</u>	<u>---</u>
Total	<u>\$ 14,664,836</u>	<u>687,483</u>	<u>1,226,812</u>	<u>14,125,507</u>	<u>823,534</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2020 totaled \$243,405.

(2) Notes were sold at a premium; unamortized premium at June 30, 2020 totaled \$19,069.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 126,733	---	8,461	118,272	---
Total OPEB liability	<u>9,049</u>	<u>18,225</u>	<u>---</u>	<u>27,274</u>	<u>---</u>
Total	<u>\$ 135,782</u>	<u>18,225</u>	<u>8,461</u>	<u>145,546</u>	<u>---</u>

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

General Obligation Bonds

Details of the District's June 30, 2020 general obligation indebtedness are as follows:

Year Ending June 30,	<u>Bond Issue of June 1, 2016</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	2.00%	\$ 430,000	201,338	631,338
2022	2.00	435,000	192,737	627,737
2023	2.00	445,000	184,037	629,037
2024	2.00	455,000	175,138	630,138
2025	2.00	465,000	166,037	631,037
2026-2030	2.25-2.50	2,475,000	674,563	3,149,563
2031-2035	2.75-3.00	2,805,000	344,700	3,149,700
2036	3.00	295,000	18,300	313,300
Total		<u>\$ 7,805,000</u>	<u>1,956,850</u>	<u>9,761,850</u>

During the year ended June 30, 2020, the District retired \$635,000 of general obligation bonds.

During the year ended June 30, 2020, the District placed \$215,000 in an escrow account to pay a portion of the principal for when the bonds can be called on June 1, 2024 resulting in a savings of \$77,400 in interest costs. The escrow account is invested in United States Treasury Notes – State and Local Government Series. Per Government Accounting Standard Statement No. 86, Certain Debt Extinguishment Issues, the principal amount of \$215,000 is considered defeased in substance and has been shown as a principal payment and included in the total retired bonds. In the prior year, the District placed \$100,000 in an escrow account to pay a portion of the principal for when the bonds can be called on June 1, 2024, which is invested in United States Treasury Strips.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

Capital Loan Notes Payable

Details of the District's June 30, 2020 capital loan notes indebtedness are as follows:

Year Ending <u>June 30,</u>	Issued June 1, 2017			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1.50%	\$ 180,000	29,400	209,400
2022	1.70	180,000	26,700	206,700
2023	1.85	185,000	23,640	208,640
2024	2.60	185,000	20,217	205,217
2025	2.60	190,000	15,408	205,408
2026-2027	2.65	395,000	15,768	410,768
Total		<u>\$1,315,000</u>	<u>131,133</u>	<u>1,446,133</u>

During the year ended June 30, 2020, the District made principal and interest payments totaling \$206,763.

Bus Note

During the year ended June 30, 2020, the District entered into a loan agreement with Availa Bank for three buses. Annual principal and interest payments are made from the Capital Projects, Physical Plant and Equipment Levy Fund. For the current year \$0 in principal and \$0 in interest was paid on the bus note. Details of the District's June 30, 2020 bus note indebtedness are as follows:

Year Ending <u>June 30,</u>	Note dated July 3, 2019			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	3.93%	\$ 92,869	11,515	104,384
2022	3.93	96,645	7,739	104,384
2023	3.93	100,277	4,108	104,385
Total		<u>\$ 289,791</u>	<u>23,362</u>	<u>313,153</u>

Termination Benefits

The District offers a voluntary early retirement plan to employees for fiscal year 2019. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 of the calendar year in which early retirement commences. Employees must complete an application for early retirement which is subject to approval by the Board of Education.

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June 30, 2020

For certified teaching employees the early retirement benefits are equal to \$1,000 per year of service up to a maximum of 25 years. An additional stipend of \$1,000 per year of service up to a maximum of 25 years was offered for those employees applying on or before December 15, 2018.

For support staff employees the early retirement benefits are equal to \$500 per year of service up to a maximum of 25 years. An additional stipend of \$250 per year of service up to a maximum of 25 years was offered to those employees applying on or before December 15, 2018.

Early retirement benefits will be paid to a retirement account in one lump sum in September 2019.

The District offers a voluntary early retirement plan to employees for fiscal year 2020. Eligible employees must have completed at least five years of continuous service to date of retirement in the District and must have reached the age of fifty-five years on his/her date of retirement. Employees must complete an application for early retirement which is subject to approval by the Board of Education.

For administrative employees the early retirement benefits are equal to 40% of their previous year salary plus \$15,000.

For certified teaching employees the early retirement benefits are equal to \$1,000 per year of service up to a maximum of 25 years.

For support staff employees the early retirement benefits are equal to \$500 per year of service up to a maximum of 25 years.

Early retirement benefits will be paid to a retirement account in one lump sum in September 2020.

At June 30, 2020, the District had obligations to seven participants with a total liability of \$120,665. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$124,000.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

(7) **Pension Plan**

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

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

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

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

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

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

South Hamilton Community School District
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Notes to Financial Statements

June 30, 2020

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 \$490,666.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$4,036,282 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 proportion was 0.069703%, which was an increase of 0.001446% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$729,760. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,190	145,124
Changes of assumptions	432,344	-
Net difference between projected and actual earnings on IPERS' investments	-	454,840
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	47,084	81,804
District contributions subsequent to the measurement date	<u>490,666</u>	<u>-</u>
Total	<u>\$ 981,284</u>	<u>681,768</u>

\$490,666 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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 Ending June 30,</u>	<u>Amount</u>
2021	\$ 63,334
2022	(119,730)
2023	(68,766)
2024	(62,690)
2025	<u>(3,298)</u>
Total	<u>\$ (191,150)</u>

There were no non-employer contributing entities to IPERS.

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.

South Hamilton Community School District
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Notes to Financial Statements

June 30, 2020

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>100.0%</u>	

South Hamilton Community School District
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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' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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	\$ 7,167,135	4,036,282	1,410,158

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

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

(8) Other Postemployment Benefits (OPEB)

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

OPEB Benefits - Individuals who are employed by South Hamilton 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.

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Notes to Financial Statements

June 30, 2020

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	7
Active employees	<u>81</u>
Total	<u>88</u>

Total OPEB Liability - The District's total OPEB liability of \$441,841 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.
Rates of salary increase (effective June 30, 2020)	2.50% per annum.
Discount rate (effective June 30, 2020)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.50% initial rate decreasing by .25% annually to an ultimate rate of 5.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement.

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.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 146,589
Changes for the year:	
Service cost	23,801
Interest	15,442
Differences between expected and actual experiences	(70,748)
Changes in assumptions	356,339
Benefit payments	(29,582)
Net changes	295,252
Total OPEB liability end of year	\$ 441,841

Changes of assumptions reflect a change in the discount rate from 3.72% in fiscal year 2019 to 3.50% in fiscal year 2020.

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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 476,386	441,841	409,740

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 (5.50%) or 1% higher (7.50%) than the current healthcare cost trend rates.

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June 30, 2020

	1% Decrease <u>(5.50%)</u>	Healthcare Cost Trend Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Total OPEB liability	\$ 398,923	441,841	492,094

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the District recognized OPEB expense of \$66,649. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ ---	75,718
Changes in assumptions	<u>320,345</u>	<u>---</u>
Total	<u>\$ 320,345</u>	<u>75,718</u>

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

Year ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 27,406
2022	27,406
2023	27,406
2024	27,406
2025	27,406
Thereafter	<u>107,597</u>
	<u>\$ 244,627</u>

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

(9) Risk Management

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

The District is a member of the Iowa Local Government Risk Pool Commission (Iowa LGRP), which is a 28E founded in 2019 in an effort to provide greater stability to school district budgets by pooling risks. Iowa LGRP is serviced by WoodRiver Energy and ISFIS. The program provides natural gas services for a single fixed premium at the beginning of each fiscal year, which covers all natural gas services from utility expenses to the gas itself. Payments to Iowa LGRP by the District for fiscal year 2020 were \$56,220.

(10) 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 \$283,111 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.

(11) Operating Leases

The District entered into a lease on July 16, 2018 with Marco for three copiers for a period of 60 months. The amount paid for the fiscal year ended June 30, 2020 was \$11,895. Future payments are scheduled as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 11,895
2022	11,895
2023	<u>11,895</u>
Total	<u>\$ 35,685</u>

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

The District entered into a lease September 8, 2017 with Counsel for a copier for a period of 63 months. The amount paid for the fiscal year ended June 30, 2020 was \$771. Future payments are scheduled as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 771
2022	771
2023	<u>257</u>
Total	<u>\$ 1,799</u>

The District entered into a lease June 19, 2017 with Pitney Bowes, Inc. for a postage machine for a period of 60 months. The amount paid for the fiscal year ended June 30, 2020 was \$609. Future payments are scheduled as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 609
2022	<u>609</u>
Total	<u>\$ 1,218</u>

The District entered into a lease on September 14, 2015 with the City of Ellsworth for rental of the school house (gymnasium) during the months of November through February for five years. The amount paid for the fiscal year ended June 30, 2020 was \$2,500. There are no future payments.

The District entered into a lease on May 1, 2019 with Heartland Co-Op to rent a rooftop for \$600 a year. The amount paid for the fiscal year ended June 30, 2020 was \$1,200. Future payments are scheduled as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 600
2022	600
2023	<u>600</u>
Total	<u>\$ 1,800</u>

South Hamilton Community School District
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Notes to Financial Statements

June 30, 2020

(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.

Tax Abatements of Other Entities

The City of Jewell offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Jewell	Chapter 404 tax abatement program	\$ 4,653

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided time \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$0.

(13) Construction Commitments

The District has starting planning for an auxiliary gym. As of June 30, 2020, costs of \$9,500 had been incurred for the planning stages of the project.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

(14) 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	\$ 18,662
Limited English proficient	12,136
Dropout	31,200
Teacher Leadership	123,936
Home School	270,258
Educator quality, professional development	19,670
Core curriculum	26,065
Flexibility – HSAP	14,728
Flexibility – Preschool	37,315
Career and Technical Education aid	7,580
ICCC tech grant	5,395
Preschool	<u>127,316</u>
Total	<u>\$ 694,261</u>

(15) 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

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

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.

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

South Hamilton Community School District
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Notes to Financial Statements

June 30, 2020

(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.

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 recognized 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.

South Hamilton Community School District
Jewell, Iowa

Notes to Financial Statements

June 30, 2020

(16) Subsequent Events

Subsequent events have been evaluated through March 30, 2021, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization (“WHO”) declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the District cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact its financial statements and future results of operations. The District will continue to monitor and evaluate the nature and extent of the impact on its ongoing operations and future results of operations, financial condition and liquidity.

On February 8, 2021 the board approved a bid for the softball field lighting improvement project for \$119,400.

Required Supplementary Information

South Hamilton Community School District
Jewell, Iowa

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

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 6,002,814	194,561
State sources	4,595,247	3,178
Federal sources	<u>144,867</u>	<u>239,220</u>
Total revenues	<u>10,742,928</u>	<u>436,959</u>
Expenditures/Expenses:		
Instruction	6,298,504	6,802
Support services	3,070,226	-
Non-instructional programs	-	472,988
Other expenditures	<u>1,684,861</u>	<u>-</u>
Total expenditures/expenses	<u>11,053,591</u>	<u>479,790</u>
Deficiency of revenues under expenditures/expenses	(310,663)	(42,831)
Other financing sources, net	<u>305,946</u>	<u>1,298</u>
Deficiency of revenues and other financing sources under expenditures/expenses and other financing uses	(4,717)	(41,533)
Balances beginning of year	<u>4,573,534</u>	<u>117,815</u>
Balances end of year	<u>\$ 4,568,817</u>	<u>76,282</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
6,197,375	6,485,546	6,485,546	(288,171)
4,598,425	4,524,214	4,524,214	74,211
384,087	353,000	353,000	31,087
<u>11,179,887</u>	<u>11,362,760</u>	<u>11,362,760</u>	<u>(182,873)</u>
6,305,306	7,205,349	7,205,349	900,043
3,070,226	3,284,500	3,284,500	214,274
472,988	501,000	501,000	28,012
<u>1,684,861</u>	<u>2,168,458</u>	<u>2,168,458</u>	<u>483,597</u>
<u>11,533,381</u>	<u>13,159,307</u>	<u>13,159,307</u>	<u>1,625,926</u>
(353,494)	(1,796,547)	(1,796,547)	1,443,053
<u>307,244</u>	<u>-</u>	<u>-</u>	<u>307,244</u>
(46,250)	(1,796,547)	(1,796,547)	1,750,297
<u>4,691,349</u>	<u>4,048,699</u>	<u>4,048,699</u>	<u>642,650</u>
<u>4,645,099</u>	<u>2,252,152</u>	<u>2,252,152</u>	<u>2,392,947</u>

South Hamilton Community School District
Jewell, 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2020, expenditures did not exceed the amounts budgeted.

South Hamilton Community School District
Jewell, Iowa

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

Iowa Public Employees' Retirement System
For the Last Six Fiscal 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	0.069703%	0.068258%	0.068023%	0.070737%
District's proportionate share of the net pension liability	\$ 4,036	4,320	4,531	4,452
District's covered payroll	\$ 5,305	5,130	5,094	5,076
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.08%	84.21%	88.95%	87.71%
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>
0.072270%	0.072528%
3,570	2,876
4,951	4,746
72.11%	60.60%
85.19%	87.61%

South Hamilton Community School District
Jewell, Iowa

Schedule of District Contributions

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

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 491	501	458
Contributions in relation to the statutorily required contribution	<u>(491)</u>	<u>(501)</u>	<u>(458)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 5,198	5,305	5,130
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
453	453	442	424	388	347	287
<u>(453)</u>	<u>(453)</u>	<u>(442)</u>	<u>(424)</u>	<u>(388)</u>	<u>(347)</u>	<u>(287)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,094	5,076	4,951	4,746	4,478	4,305	4,130
8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

South Hamilton Community School District
Jewell, 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%.

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

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

South Hamilton Community School District
Jewell, Iowa

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

For the Last Three Years
Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 23,801	10,974	10,974
Interest cost	15,442	5,766	5,785
Difference between expected and actual experiences	(70,748)	(8,381)	(7,263)
Changes in assumptions	356,339	-	-
Benefit payments	(29,582)	(10,855)	(8,759)
Net change in total OPEB liability	295,252	(2,496)	737
Total OPEB liability beginning of year	146,589	149,085	148,348
Total OPEB liability end of year	<u>\$ 441,841</u>	<u>146,589</u>	<u>149,085</u>
Covered-employee payroll	\$3,198,511	3,398,895	3,291,951
 Total OPEB liability as a percentage of covered-employee payroll	 13.81%	 4.31%	 4.53%

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	3.50%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	3.72%

Supplementary Information

South Hamilton Community School District
Jewell, Iowa

Schedule 1

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 and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Dramatics	\$ 624	488	993	-	119
FFA	9,805	36,423	35,363	-	10,865
Student Council	4,266	5,281	9,144	18	421
National Honor Society	225	-	582	357	-
Spanish Club	1	-	-	-	1
Yearbook	2,278	10,045	4,576	-	7,747
Hamilton Holidays	1,500	5,687	3,015	-	4,172
Athletics	-	79,405	83,075	3,670	-
Concessions	1,299	24,960	18,824	(3,670)	3,765
Dance/Drill Team	6,383	5,173	6,183	-	5,373
Senior class	-	2,850	2,201	-	649
Swing Choir	49	-	-	-	49
H.S. Band	449	817	764	-	502
7-8 Student Council	375	-	-	(375)	-
Elementary Vocal	418	211	214	-	415
K-6 Student Council	151	-	65	-	86
5th Grade Concessions	966	1,633	564	-	2,035
Prom	1,659	8,689	6,784	-	3,564
Interest	309	144	59	-	394
Total	<u>\$ 30,757</u>	<u>181,806</u>	<u>172,406</u>	<u>-</u>	<u>40,157</u>

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

Schedule 2

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 1,331,448	317,552	1,649,000
Receivables:			
Property tax:			
Delinquent	-	8,238	8,238
Succeeding year	-	431,517	431,517
Due from other governments	54,981	-	54,981
Total assets	<u>\$ 1,386,429</u>	<u>757,307</u>	<u>2,143,736</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,052	1,052
Total liabilities	-	1,052	1,052
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	431,517	431,517
Other	-	5,700	5,700
Total deferred inflows of resources	-	437,217	437,217
Fund balances:			
Restricted for:			
School infrastructure	1,386,429	-	1,386,429
Physical plant and equipment	-	319,038	319,038
Total fund balances	<u>1,386,429</u>	<u>319,038</u>	<u>1,705,467</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,386,429</u>	<u>757,307</u>	<u>2,143,736</u>

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

Schedule 3

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	\$ -	413,042	413,042
Other	13,732	4,150	17,882
State sources	652,938	6,826	659,764
Total revenues	666,670	424,018	1,090,688
Expenditures:			
Instruction:			
Regular	160,259	5,711	165,970
Support services:			
Instructional staff	7,985	36,034	44,019
Administration	7,676	22,926	30,602
Operation and maintenance of plant	42,844	75,027	117,871
Transportation	4,562	325,515	330,077
Other expenditures:			
Facilities acquisition	265,826	84,424	350,250
Total expenditures	489,152	549,637	1,038,789
Excess (deficiency) of revenues over (under) expenditures	177,518	(125,619)	51,899
Other financing sources (uses):			
Bus loan notes issued	-	289,791	289,791
Proceeds from sale of fixed assets	-	16,155	16,155
Transfers out	-	(206,763)	(206,763)
Total other financing sources uses	-	99,183	99,183
Change in fund balances	177,518	(26,436)	151,082
Fund balances beginning of year	1,208,911	345,474	1,554,385
Fund balances end of year	\$ 1,386,429	319,038	1,705,467

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

Schedule 4

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2020

	School Nutrition	Agri. Science Tech. Student Constr.	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 55,042	7,034	62,076
Accounts receivable	1,000	54	1,054
Inventories	10,613	2,800	13,413
Total current assets	66,655	9,888	76,543
Noncurrent assets:			
Capital assets, net of accumulated depreciation	141,668	-	141,668
Total assets	208,323	9,888	218,211
Deferred Outflows of Resources			
Pension related deferred outflows	30,643	-	30,643
OPEB related deferred outflows	19,774	-	19,774
Total deferred outflows of resources	50,417	-	50,417
Liabilities			
Current liabilities:			
Due to other funds	4,413	-	4,413
Unearned revenue	16,572	-	16,572
Total current liabilities	20,985	-	20,985
Noncurrent liabilities:			
Net pension liability	118,272	-	118,272
Total OPEB liability	27,274	-	27,274
Total noncurrent liabilities	145,546	-	145,546
Total liabilities	166,531	-	166,531
Deferred Inflows of Resources			
Pension related deferred inflows	21,141	-	21,141
OPEB related deferred inflows	4,674	-	4,674
Total deferred inflows of resources	25,815	-	25,815
Net Position			
Net investment in capital assets	141,668	-	141,668
Unrestricted	(75,274)	9,888	(65,386)
Total net position	\$ 66,394	9,888	76,282

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

Schedule 5

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

Year ended June 30, 2020

	School Nutrition	Agri. Science Tech. Student Constr.	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 187,892	5,318	193,210
Miscellaneous	<u>1,078</u>	<u>-</u>	<u>1,078</u>
Total operating revenues	<u>188,970</u>	<u>5,318</u>	<u>194,288</u>
Operating expenses:			
Instruction:			
Supplies	-	6,802	6,802
Non-instructional programs:			
Salaries	168,968	-	168,968
Benefits	69,020	-	69,020
Purchased services	538	-	538
Supplies	216,985	-	216,985
Depreciation	<u>17,477</u>	<u>-</u>	<u>17,477</u>
	<u>472,988</u>	<u>-</u>	<u>472,988</u>
Total operating expenses	<u>472,988</u>	<u>6,802</u>	<u>479,790</u>
Operating loss	<u>(284,018)</u>	<u>(1,484)</u>	<u>(285,502)</u>
Non-operating revenues:			
State sources	3,178	-	3,178
Federal sources	239,220	-	239,220
Interest income	154	-	154
Contributions	<u>119</u>	<u>-</u>	<u>119</u>
Total non-operating revenues	<u>242,671</u>	<u>-</u>	<u>242,671</u>
Loss before capital asset contributions	(41,347)	(1,484)	(42,831)
Capital asset contributions	<u>1,298</u>	<u>-</u>	<u>1,298</u>
Decrease in net position	(40,049)	(1,484)	(41,533)
Net position beginning of year	<u>106,443</u>	<u>11,372</u>	<u>117,815</u>
Net position end of year	<u>\$ 66,394</u>	<u>9,888</u>	<u>76,282</u>

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

Schedule 6

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2020

	<u>School Nutrition</u>	<u>Agri. Science Tech. Student Constr.</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 196,905	-	196,905
Cash received from other services	1,078	5,264	6,342
Cash paid to employees for services	(229,730)	-	(229,730)
Cash paid to suppliers for goods or services	<u>(180,086)</u>	<u>(4,102)</u>	<u>(184,188)</u>
Net cash provided by (used by) operating activities	<u>(211,833)</u>	<u>1,162</u>	<u>(210,671)</u>
Cash flows from non-capital financing activities:			
Contributions	119	-	119
State grants received	3,178	-	3,178
Federal grants received	197,708	-	197,708
General Fund loan received	<u>790</u>	<u>-</u>	<u>790</u>
Net cash provided by non-capital financing activities	<u>201,795</u>	<u>-</u>	<u>201,795</u>
Cash flows from investing activities:			
Interest on investments	<u>154</u>	<u>-</u>	<u>154</u>
Net increase (decrease) in cash and cash equivalents	(9,884)	1,162	(8,722)
Cash and cash equivalents beginning of year	<u>64,926</u>	<u>5,872</u>	<u>70,798</u>
Cash and cash equivalents end of year	<u>\$ 55,042</u>	<u>7,034</u>	<u>62,076</u>

(continued)

South Hamilton Community School District
Jewell, Iowa

Schedule 6

(continued)

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2020

	<u>School Nutrition</u>	<u>Agri. Science Tech. Student Constr.</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating loss	\$ (284,018)	(1,484)	(285,502)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:			
Commodities used	41,512	-	41,512
Depreciation	17,477	-	17,477
(Increase) decrease in accounts receivable	1,763	(54)	1,709
(Increase) decrease in inventories	(3,971)	2,700	(1,271)
Increase (decrease) in accounts payable	(104)	-	(104)
Increase (decrease) in unearned revenue	7,250	-	7,250
Increase (decrease) in net pension liability	(8,461)	-	(8,461)
(Increase) decrease in deferred outflows of resources	(15,726)	-	(15,726)
Increase (decrease) in deferred inflows of resources	14,220	-	14,220
Increase (decrease) in OPEB liability	18,225	-	18,225
Net cash provided by (used by) operating activities	<u>\$ (211,833)</u>	<u>1,162</u>	<u>(210,671)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2020, the District received \$41,512 of federal commodities.

During the year ended June 30, 2020, the District received \$1,298 in capital asset contributions from the Capital Projects Fund.

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

Schedule 7

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2020

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 997	-	312	685
Total assets	<u>\$ 997</u>	<u>-</u>	<u>312</u>	<u>685</u>
Liabilities				
Other payables	\$ 997	-	312	685
Total liabilities	<u>\$ 997</u>	<u>-</u>	<u>312</u>	<u>685</u>

See accompanying independent auditor's report.

South Hamilton Community School District
Jewell, Iowa

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

For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Local sources:				
Local tax	\$ 4,443,877	4,734,222	4,906,996	4,419,642
Tuition	1,170,959	1,284,078	1,206,900	1,235,688
Other	387,978	458,618	444,313	397,551
State sources	4,595,247	4,472,948	4,397,114	4,528,094
Federal sources	144,867	145,933	154,998	159,329
Total	<u>\$ 10,742,928</u>	<u>11,095,799</u>	<u>11,110,321</u>	<u>10,740,304</u>
Expenditures:				
Instruction	\$ 6,298,504	6,370,000	6,268,906	6,413,027
Support services:				
Student	130,876	164,131	168,471	158,808
Instructional staff	459,066	480,891	394,319	403,085
Administration	871,988	838,134	784,503	761,812
Operation and maintenance of plant	926,621	883,715	748,895	733,941
Transportation	681,675	593,804	421,499	375,245
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	350,250	1,208,027	2,478,939	7,094,743
Long-term debt:				
Principal	810,000	685,000	575,000	335,000
Interest and other charges	241,500	254,313	262,513	245,782
AEA flowthrough	283,111	280,900	280,515	275,487
Total	<u>\$ 11,053,591</u>	<u>11,758,915</u>	<u>12,383,560</u>	<u>16,796,930</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
3,712,315	3,621,637	3,832,704	4,297,846	4,361,628	4,203,552
1,138,857	868,718	908,575	716,628	674,172	720,069
352,227	349,239	426,429	465,611	489,217	337,164
4,273,022	4,178,604	4,030,692	3,478,584	3,509,906	3,376,952
154,160	117,433	135,852	205,874	242,951	383,093
<u>9,630,581</u>	<u>9,135,631</u>	<u>9,334,252</u>	<u>9,164,543</u>	<u>9,277,874</u>	<u>9,020,830</u>
6,215,623	5,883,114	5,636,363	5,383,142	5,369,088	5,211,763
156,507	178,278	145,789	154,587	107,792	102,373
346,838	336,341	400,309	339,695	281,135	282,160
773,137	728,398	732,733	671,442	649,012	604,310
642,956	659,352	635,976	562,133	533,901	574,871
491,208	304,937	417,512	314,128	370,120	342,760
-	-	-	-	6,562	-
2,389,443	483,105	269,291	1,079,164	1,348,482	228,281
260,000	485,000	805,000	751,117	450,332	434,551
179,451	28,107	58,162	67,277	81,161	93,443
276,307	275,084	275,399	268,471	264,292	292,000
<u>11,731,470</u>	<u>9,361,716</u>	<u>9,376,534</u>	<u>9,591,156</u>	<u>9,461,877</u>	<u>8,166,512</u>

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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
South Hamilton 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 South Hamilton 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 March 30, 2021. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on the component unit, South Hamilton School District Foundation, which was not audited.

Internal Control Over Financial Reporting

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

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

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 and I-B-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Hamilton 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.

South Hamilton Community School District's Responses to the Findings

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

March 30, 2021

South Hamilton Community School District
Jewell, 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 is 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 should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will continue to perform compensating controls among existing personnel to help make up for the absence of true segregation of duties. We will also continue to look for ways to implement new procedures to achieve additional segregation of duties based upon the skills and abilities of existing personnel.

South Hamilton Community School District
Jewell, Iowa

Schedule of Findings

Year ended June 30, 2020

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.

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.

Conclusion – Response accepted.

South Hamilton Community School District
Jewell, Iowa

Schedule of Findings

Year ended June 30, 2020

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

South Hamilton Community School District
Jewell, Iowa

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 did not exceed the certified budget amounts.
- 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 should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-20 Board Minutes - No transactions requiring board approval which had not been approved by the board were noted.
- 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.

South Hamilton Community School District
Jewell, Iowa

Schedule of Findings

Year ended June 30, 2020

- II-K-20 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-L-20 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit:

Beginning balance		\$ 1,208,911
Revenues/transfers in:		
Sales tax revenues	\$ 652,938	
Other local revenues	<u>13,732</u>	<u>666,670</u>
		1,875,581
Expenditures/transfers out:		
School infrastructure construction	261,544	
Equipment	212,814	
Other	<u>14,794</u>	<u>489,152</u>
Ending balance		\$ <u>1,386,429</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

South Hamilton Community School District
Jewell, Iowa

Schedule of Findings

Year ended June 30, 2020

II-N-20 Natural Gas Risk Pool – The District joined a natural gas risk pool and made a premium payment from the Management Fund for the year ended June 30, 2020. The Iowa Department of Education has said this is an unallowable expense of the Management Fund. However, the Iowa Office of Auditor of State has said this is an appropriate use of the Management Fund.

Recommendation – The District should contact its attorney to determine the legality of this issue. The District should also reserve the General Fund dollars saved by the program until such time this matter is officially resolved, either administratively or in the courts.

Response – We will contact our attorney and reserve General Fund dollars.

Conclusion – Response accepted.