

**DECORAH COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA**

FINANCIAL REPORT

JUNE 30, 2020

TABLE OF CONTENTS

		<u>Page</u>
BOARD OF EDUCATION AND SCHOOL OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4-4i
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	5
Statement of Activities	B	6
Governmental Funds Financial Statements:		
Balance Sheet	C	7-8
Statement of Revenues, Expenditures and Changes in Fund Balances	D	9-10
Proprietary Funds Financial Statements:		
Statement of Net Position	E	11
Statement of Revenues, Expenses and Changes in Net Position	F	12
Statement of Cash Flows	G	13
Notes to Financial Statements		14-36
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Schedule of the District's Proportionate Share of the Net Pension Liability		39
Schedule of District Contributions		40
Notes to Required Supplementary Information - Pension Liability		41
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes		42
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	44
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	3	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	47-48
Comparative Schedule of Revenues by Source and Expenditures by Function		
All Governmental Funds	6	49
Schedule of Findings and Questioned Costs	7	50-52
Schedule of Expenditures of Federal Awards	8	53
Notes to the Schedule of Expenditures of Federal Awards		54
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 <i>GOVERNMENT AUDITING STANDARDS</i>		55-56
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE		57-58
MANAGEMENT LETTER		59-63

DECORAH COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Term Expires
-------------	--------------	---------------------

Board of Education

(Before September 2019 Election)

Ronald Fadness	President	September 2021
John Hjelle	Vice President	September 2019
Brian Petersburg	Board Member	September 2019
Ben Lange	Board Member	September 2019
Krista VandenBrink	Board Member	September 2021

Board of Education

(After September 2019 Election)

Ronald Fadness	President	September 2021
John Hjelle	Vice President	September 2023
Brian Petersburg	Board Member	September 2023
Ben Lange	Board Member	September 2023
Krista VandenBrink	Board Member	September 2021

School Officials

Mark Lane - Superintendent

Cathy Dietzenbach - Director of Business Services/Treasurer

Darlene Woodhouse - Board Secretary

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Education
Decorah Community School District
Decorah, Iowa

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 Decorah Community School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Decorah Community School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 22 to the financial statements, Decorah Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the 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 4 through 4i and pages 37 through 42 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, who 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decorah Community School District's June 30, 2020 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 8, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 shown on Schedules 1 through 8, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the years ended June 30, 2011 through 2020 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of Decorah 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 Decorah Community School 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 Decorah Community School District's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

DECORAH COMMUNITY SCHOOL DISTRICT
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Management of the Decorah 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.

The intent of this discussion and analysis is to look at Decorah Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

On July 1, 2019, Decorah Community School District and North Winneshiek Community School District were officially merged and will be known as Decorah Community School District.

2020 FINANCIAL HIGHLIGHTS

In total, net position increased by \$2,166,468 or 10.41% from fiscal year 2019. Net position in governmental activities increased by \$2,249,151, which represented an 10.85% increase from fiscal year 2019. The District expenses were down from fiscal year 2019. Net position in the business-type activities, which represents the District's food service operations and Viking Café, decreased \$82,683, which represented a 112.20% decrease from fiscal year 2019. The decrease is mainly due to the District shutting down for COVID-19 which resulted in receiving less revenues from charges for services. In addition, the decrease is from recording depreciation expense on business-type capital assets.

General fund revenues (which include the instructional support fund) accounted for \$20,918,516 in revenue or 78.87% of all governmental revenues. General fund expenditures (which include the instructional support fund) accounted for \$20,476,309 in expenditures or 80.32% of all governmental expenditures.

USING THIS ANNUAL REPORT

These statements are organized so the reader can understand Decorah Community School District as a financial whole or as an entire operating entity. The annual report consists of a series of financial statements, notes to those 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 Decorah 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 Decorah Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column.

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

USING THIS ANNUAL REPORT (Continued)

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.

Other supplementary information provides detailed information about the nonmajor funds and compares governmental fund activity to prior years. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* most of the District's programs and services are reported 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 and the Viking Café are included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. 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.

However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal year 2020 are the general fund, the statewide sales, services and use tax-capital project fund, the physical plant and equipment levy-capital project fund, and the debt service fund.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

The District has two kinds of funds:

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

The District's governmental funds include the general fund, the special revenue funds, the debt service fund, and the capital project funds.

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 and are reported in the same way as the government-wide financial statements. The District's enterprise funds, 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 proprietary funds are the school nutrition fund and Viking Café fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Decorah Community School District’s net position at the end of fiscal year 2020 for governmental activities was \$22,977,597 and for business-type activities was \$(8,992). The following is a summary perspective of the statement of net position of the District as a whole, for comparative purposes data from the former two Districts has been combined for the fiscal year ended June 30, 2019.

Condensed Statement of Net Position (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	Combined		Combined		Combined	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 22,265	\$ 10,983	\$ 225	\$ 285	\$ 22,490	\$ 11,268
Capital assets	37,149	38,351	82	136	37,231	38,487
Total assets	59,414	49,334	307	421	59,721	49,755
Deferred outflows of resources	2,365	2,965	65	112	2,430	3,077
Current liabilities	2,254	2,337	135	180	2,389	2,517
Noncurrent liabilities	24,044	27,581	239	264	24,283	27,845
Total liabilities	26,298	29,918	374	444	26,672	30,362
Deferred inflows of resources	12,504	1,653	7	15	12,511	1,668
Net position:						
Net investment in capital assets	24,940	23,659	82	136	25,022	23,795
Restricted	5,432	4,410	9	-	5,441	4,410
Unrestricted (deficit)	(7,395)	(7,341)	(100)	(62)	(7,495)	(7,403)
Total net position (deficit)	\$ 22,977	\$ 20,728	\$ (9)	\$ 74	\$ 22,968	\$ 20,802

The District’s total net position at June 30, 2020 was \$22,968,605. The largest portion of the District’s net position is invested in capital assets (e.g., land, 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 \$1,031,000 or 23.38%, over the prior year. The increase was primarily a result of an increase in school infrastructure and physical plant and equipment.

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 \$92,000 or 1.25%. This reduction in unrestricted net position was primarily a result of the increase in the District’s early retirement and OPEB liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net position for the year ended June 30, 2020 as shown below, for comparative purposes data from the former two Districts has been combined for the fiscal year ended June 30, 2019.

	Changes in Net Position (Expressed in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2020	Combined 2019	2020	Combined 2019	2020	Combined 2019
Revenues:						
Program revenue:						
Charges for service	\$ 3,279	\$ 5,341	\$ 529	\$ 670	\$ 3,808	\$ 6,011
Operating grants	3,363	3,234	519	418	3,882	3,652
General revenue:						
Property taxes	10,778	11,260			10,778	11,260
Sales tax and surtax	1,686	1,714			1,686	1,714
Unrestricted state grants	7,294	7,053			7,294	7,053
Unrestricted investment earnings	47	69	2	3	49	72
Gain (loss) on the sale of capital assets	292	(23)			292	(23)
Transfers	21	10	(21)	(10)	-	-
Other revenue	75	63			75	63
Total revenues	26,835	28,721	1,029	1,081	27,864	29,802
Program expenses:						
Instruction	14,672	17,313			14,672	17,313
Student support	7,663	8,146			7,663	8,146
Non-instructional programs			1,112	1,137	1,112	1,137
Other expenses	2,251	2,444			2,251	2,444
Total expenses	24,586	27,903	1,112	1,137	25,698	29,040
Increase (decrease) in net position	2,249	818	(83)	(56)	2,166	762
Net position, beginning of year, as restated	20,728	19,910	74	130	20,802	20,040
Net position (deficit), end of year	\$ 22,977	\$ 20,728	\$ (9)	\$ 74	\$ 22,968	\$ 20,802

In fiscal year 2020, property tax, statewide sales, services and use tax, income surtax and unrestricted state grants accounted for 73.63% of the revenue from governmental activities while charges for services and operating grants accounted for 101.84% of the revenue from business-type activities.

The District's total revenues were approximately \$27.87 million, of which approximately \$26.84 million was for governmental activities and approximately \$1.03 million was for business-type activities.

INDIVIDUAL FUND ANALYSIS

The Decorah Community School District uses fund accounting on the modified accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Highlights

As the District completed the year, its governmental funds reported a combined fund balance of \$9,236,054, an \$1,353,431 increase from the restated July 1, 2019 balance of \$7,882,623.

- The general fund expenditures decreased during fiscal year 2020 for instruction and support services while revenues increased for state sources. The District did receive \$112,122 of CARES Act funds for the school emergency relief fund program. The ending fund balance showed an increase of \$469,876 from the prior year.
- The statewide sales, services and use tax generated more revenue during fiscal year 2020 through local option sales tax. The capital project fund expenditures decreased due to a new capital lease for an Apple computer refresh in the prior year. Overall expenditures decreased by \$739,740 compared to the prior year. The ending fund balance showed an increase of \$705,111 from the prior year, with the ending balance of \$2,347,533.
- The capital project fund physical plant and equipment levy expenditures decreased due to the purchase of two school buses in the prior year. Overall expenditures decreased by \$143,503 compared to the prior year. The ending fund balance showed an increase of \$276,312 from the prior year, with the ending balance of \$1,296,234.
- The debt service fund ending fund balance showed an increase of \$18,545 for fiscal year 2020. This increase in fund balance is mainly due to a decrease in interest and fiscal charges.

Proprietary Funds Highlights

The school nutrition fund net position decreased \$67,288, from the restated as of July 1, 2019, representing a decrease of approximately 117.64%. The decrease is mainly due to the District shutting down for COVID-19 which resulted in receiving less revenues from charges for services. The District did receive \$229,578 of CARES Act funds for the school nutrition program. In addition, the decrease is from recording depreciation expense on business-type capital assets.

BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15 of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures, and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

The District's total revenues were \$681,895 less than total budgeted revenues, a variance of 2.41%. The most significant variances resulted from the District receiving less in local sources, causing the total amount received to be less than originally anticipated.

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 within the authorized spending authority for the general fund. The District then manages or controls general fund and other fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal year 2020 as well as the actual revenue and expenditures for the year.

Budgetary Comparison Schedule (Expressed in Thousands)					
	Actual Basis		Original and Final		Variance
Revenues:					
Local sources	\$	14,710	\$	15,843	\$ (1,133)
State sources		11,820		11,595	225
Federal sources		1,041		815	226
Total revenues	\$	27,571	\$	28,253	\$ (682)
Expenditures/Expenses:					
Instruction	\$	13,966	\$	17,183	\$ 3,217
Support services		7,450		7,793	343
Non-instructional programs		1,112		1,343	231
Other expenditures		4,078		5,907	1,829
Total expenditures/expenses	\$	26,606	\$	32,226	\$ 5,620

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the District's governmental activities had invested \$37,149,330 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment and classroom equipment. The District's governmental activities had depreciation expense of \$2,177,165 for fiscal year 2020 and total accumulated depreciation of \$30,014,536 as of June 30, 2020. The District's business-type activities had invested \$82,516 (net of accumulated depreciation) in capital assets of equipment. The District had depreciation expense of \$108,894 for fiscal year 2020 and total accumulated depreciation of \$1,052,797 as of June 30, 2020. More detailed information about capital assets is available in Note 4 to the financial statements. The following chart shows the comparison in capital assets for 2020 and 2019, for comparative purposes data from the former two Districts has been combined for the fiscal year ended June 30, 2019.

Capital Assets (Net of Depreciation) (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	Combined		Combined		Combined	
	2020	2019	2020	2019	2020	
					2019	
Land	\$ 290	\$ 290			\$ 290	\$ 290
Construction in progress	79				79	-
Land improvements	1,499	1,337			1,499	1,337
Buildings	31,642	32,527			31,642	32,527
Furniture and equipment	3,639	4,197	\$ 83	\$ 136	3,722	4,333
Total	\$ 37,149	\$ 38,351	\$ 83	\$ 136	\$ 37,232	\$ 38,487

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

As of June 30, 2020, the District had \$12,861,096 in long-term debt outstanding compared to \$15,535,267 from the prior year. More detailed information about the District's long-term debt can be found in Note 5 to the financial statements. The following chart shows the debt comparison between 2020 and 2019, for comparative purposes data from the former two Districts has been combined for the fiscal year ended June 30, 2019.

	Long-term Debt Obligations			
	Combined Balance			Balance
	June 30, 2019	Additions	Reductions	June 30, 2020
Bonds/Capital Loan Notes:				
General obligation bonds	\$ 5,535,000		\$ 1,095,000	\$ 4,440,000
Tax revenue bonds	4,730,000		395,000	4,335,000
Capital loan notes	2,680,000		505,000	2,175,000
Total bonds/capital loan notes	12,945,000	\$ -	1,995,000	10,950,000
Other Liabilities:				
Capital leases	1,747,169		487,948	1,259,221
Compensated absences	65,103	81,337	65,103	81,337
Early retirement	777,995		207,457	570,538
Total other liabilities	2,590,267	81,337	760,508	1,911,096
Total long-term debt	\$ 15,535,267	\$ 81,337	\$ 2,755,508	\$ 12,861,096

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Current Issues

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

- The COVID-19 closure of school from March 15, 2020 to the end of the school year had the District working on different plans and scenarios. The first closure was for four weeks, which was extended on April 2, 2020 to the remainder of the school year. This closure shut down all education, activities, and extra-curricular activities along with professional leaves. The first week of closure, the Board worked on a remote learning plan. The second full week of closure is when teachers and paras started working with students. The high school students were required to attend classes virtually and it was voluntary for all other grades. Parents were able to pick up their student's belongings and also pick up the student-issued iPad or computer for their child for on-line learning through building coordination of staff and staggered pick-up times. The true effect of the loss of income and the savings of busing and utilities are yet to be determined.
- With the closure of school and the cancellation of all sports at the end of the 2019-2020 school year, the District is not yet sure how the loss of revenue from events will come into play. The District was allowed to start softball and baseball as of July 1. Since it was an outdoor sport, the District could maintain social distancing for fans. The District did implement a Spectator Expectations as Decorah High School Fall Events and then updated it in January. While this limited the fans at football games to 50% capacity, the revenues from these games have been decreased and may have an effect to the activity fund in the future.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

Current Issues (Continued)

- The Decorah Community School District applied to the state for the Summer Food Service Program to be a site to provide free meals to families at 3 grab-and-go sites (North Winneshiek, Freeport, and the high school). Correspondence to parents was done via electronic messages through the student information system. Breakfasts and lunches were packaged by the food service staff and handed out on a Friday with 5 breakfasts and 5 lunches for each child. The last day to provide meals was on June 19, 2020. The Decorah Community School District was made aware that they could fill out a survey to extend the Summer Food Service Program through December 31, 2020. The District was approved to continue the program and as of September 16, 2020, any enrolled student at the Decorah Community School District could receive a free breakfast and free lunch. This program was later extended until the end of the 2020-2021 school year.
- The State of Iowa issued funds of \$112,122 (Decorah at \$105,136 and St. Benedict's at \$6,986) under the CARES (Coronavirus Aid, Relief and Economic Security) and tracked under Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER Fund) to be utilized for providing services to students and maintaining a safe school environment. The Decorah Community School used these funds to expand outside internet service at all school buildings, the purchase of cleaning equipment and supplies, and the purchase of PPE (personal protective equipment). Funds were received in 2019-2020 and expensed in the 2019-2020 and 2020-2021 school years.
- The Decorah Community School District added an on-line learning position for Grades K-8 in 2020-2021. This person coordinates the Edgenuity program that the students work on remotely from home with progress monitoring and parent correspondence. This teacher is continually monitoring the students' progress with the classes and corresponds with parents. The Decorah Community School also saw an increase in the number of parents requesting the Home School Assistance Program (HSAP) option for their children. The District increased the 2 part-time teachers to 2 full-time teachers to meet the needs of the HSAP families. They utilized the North Winneshiek building for in-person contact and the central office for parent-teacher packet and/or book pickup and drop off. Overall, the District showed a loss of 88 students for 2020-2021.
- The cancellation of fundraising activities such as Harvest Moon, Craft Show and Madrigal will have an effect to some programming in the future. Teachers were trying to hold these events in a virtual or social distancing manner.
- The Decorah Community School administration team worked on plans to serve the students in house and in online learning opportunities. Parents could choose an all-virtual learning environment for their student, our home school assistance program, or in-person learning. When the 2020-2021 school year started, it was in a hybrid model which only 50% of the students attended classes on an alternate schedule. On September 28, all students were back in the building at 100% time. After a rise in COVID-19 cases in the county, the District did have seven days of all on-line learning (December 7 to 11, 2020 and December 21 and 22, 2020).
- The COVID-19 closure of schools may have a lingering effect on student's health and well-being. It is too soon to see the effect that it could have on the future learning for students. Testing was done in the fall but has not been tracked as of yet.
- The Decorah Community School approved the improvements to the softball field that is owned by the city and the District's batting cage building. This project included a canopied area with new softball bleachers and an addition to the adjacent batting cage to add a concession stand and bathroom facility. The Decorah Community School and the City of Decorah entered into a 28E Agreement Joint Administration Agreement for the softball field on December 14, 2020. The project after change orders came to \$374,400.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

Current Issues (Continued)

- The Iowa – Minnesota Tuition Reciprocity Agreement was renewed as of June 18, 2020 to June 30, 2025. With the reorganization with the North Winneshiek School, the District has families that want their children to attend either Mabel-Canton Public School or Fillmore Central Public School. Parents residence must be closer to either Minnesota school than to Decorah to attend.
- Decreased enrollment in 2020-2021 will affect the state aid funds received in 2021-2022. While the unspent balance went up at the end of 2020, we do not know how the expenditures will look like. While trying to make comparisons in a normal year is easier, the pandemic on top of a reorganization will take time to have consistent comparison data.
- The District and nation will be battling the aftermath of COVID-19 in revenue, debt, education, etc. in future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of Decorah Community School District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Ms. Cathy Dietzenbach, Director of Business Services/Treasurer, Decorah Community School District, 510 Winnebago St., Decorah, Iowa 52101.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,641,601	\$ 147,019	\$ 10,788,620
Receivables:			
Property tax:			
Delinquent	60,667		60,667
Succeeding year	9,886,619		9,886,619
Accounts	506,074		506,074
Prepaid expenses	26,720		26,720
Due from other governments	1,143,387	51,946	1,195,333
Inventories		25,535	25,535
Capital assets, non-depreciable	369,231		369,231
Capital assets, net of accumulated depreciation	36,780,099	82,516	36,862,615
Total assets	<u>59,414,398</u>	<u>307,016</u>	<u>59,721,414</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related deferred outflows	132,659	4,176	136,835
Pension related deferred outflows	2,232,813	60,833	2,293,646
Total deferred outflows of resources	<u>2,365,472</u>	<u>65,009</u>	<u>2,430,481</u>
Total assets and deferred outflows of resources	<u>\$ 61,779,870</u>	<u>\$ 372,025</u>	<u>\$ 62,151,895</u>
LIABILITIES			
Accounts payable	\$ 117,157	\$ 3,655	\$ 120,812
Salaries and benefits payable	2,082,632	78,176	2,160,808
Unearned revenues		53,117	53,117
Accrued interest payable	53,855		53,855
Long-term liabilities:			
Portion due within one year:			
Bonds payable	2,055,000		2,055,000
Capital leases	411,497		411,497
Compensated absences	81,337		81,337
Early retirement	194,332		194,332
Portion due after one year:			
Bonds payable	8,895,000		8,895,000
Capital leases	847,724		847,724
Early retirement	376,206		376,206
Net pension liability	9,697,446	191,888	9,889,334
Total OPEB liability	1,485,716	47,378	1,533,094
Total liabilities	<u>26,297,902</u>	<u>374,214</u>	<u>26,672,116</u>
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	9,886,619		9,886,619
Pension related deferred inflows	1,675,146	6,803	1,681,949
Advances from grantors	53,313		53,313
Other	889,293		889,293
Total deferred inflows of resources	<u>12,504,371</u>	<u>6,803</u>	<u>12,511,174</u>
NET POSITION			
Net investment in capital assets	24,940,109	82,516	25,022,625
Restricted for:			
Debt service	179,302		179,302
School infrastructure	2,347,686		2,347,686
Management levy purposes	839,380		839,380
Student activities	318,604		318,604
Physical plant and equipment	1,296,234		1,296,234
Categorical funding	450,777		450,777
Nutrition meal donations		8,538	8,538
Unrestricted (deficit)	(7,394,495)	(100,046)	(7,494,541)
Total net position (deficit)	<u>22,977,597</u>	<u>(8,992)</u>	<u>22,968,605</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 61,779,870</u>	<u>\$ 372,025</u>	<u>\$ 62,151,895</u>

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions and Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular instruction	\$ 7,914,782	\$ 957,349	\$ 2,000,691	\$ (4,956,742)		\$ (4,956,742)
Special instruction	3,553,757	1,511,892	286,402	(1,755,463)		(1,755,463)
Other instruction	3,203,655	754,033	1,088	(2,448,534)		(2,448,534)
	<u>14,672,194</u>	<u>3,223,274</u>	<u>2,288,181</u>	<u>(9,160,739)</u>	\$ -	<u>(9,160,739)</u>
Support services:						
Student services	650,994	42,901		(608,093)		(608,093)
Instructional staff services	1,699,907			(1,699,907)		(1,699,907)
Administration services	1,811,596	12,958		(1,798,638)		(1,798,638)
Operation and maintenance plant services	2,146,606			(2,146,606)		(2,146,606)
Transportation services	1,353,750		335,579	(1,018,171)		(1,018,171)
	<u>7,662,853</u>	<u>55,859</u>	<u>335,579</u>	<u>(7,271,415)</u>	-	<u>(7,271,415)</u>
Other:						
Long-term debt interest	430,718			(430,718)		(430,718)
Facilities acquisition	62,534			(62,534)		(62,534)
AEA flowthrough	739,390		739,390	-		-
Depreciation (unallocated)*	1,017,788			(1,017,788)		(1,017,788)
	<u>2,250,430</u>	<u>-</u>	<u>739,390</u>	<u>(1,511,040)</u>	<u>-</u>	<u>(1,511,040)</u>
Total governmental activities	<u>24,585,477</u>	<u>3,279,133</u>	<u>3,363,150</u>	<u>(17,943,194)</u>	<u>-</u>	<u>(17,943,194)</u>
BUSINESS-TYPE ACTIVITIES						
Non-instructional programs:						
Nutrition services	1,096,636	529,567	518,820		(48,249)	(48,249)
Viking Café	15,395				(15,395)	(15,395)
Total business-type activities	<u>1,112,031</u>	<u>529,567</u>	<u>518,820</u>	<u>-</u>	<u>(63,644)</u>	<u>(63,644)</u>
Total	<u>\$ 25,697,508</u>	<u>\$ 3,808,700</u>	<u>\$ 3,881,970</u>	<u>(17,943,194)</u>	<u>(63,644)</u>	<u>(18,006,838)</u>
GENERAL REVENUES						
Property taxes levied for:						
General purposes				7,716,611		7,716,611
Management levy purposes				423,252		423,252
Physical plant and equipment				1,369,714		1,369,714
Debt service				1,269,070		1,269,070
Statewide sales, services and use tax				1,685,547		1,685,547
Unrestricted state grants				7,293,847		7,293,847
Unrestricted investment earnings				46,602	1,608	48,210
Transfer in (out)				20,647	(20,647)	-
Gain on sale of capital assets				292,457		292,457
Other				74,598		74,598
Total general revenues				<u>20,192,345</u>	<u>(19,039)</u>	<u>20,173,306</u>
Change in net position				2,249,151	(82,683)	2,166,468
NET POSITION, beginning of year, as restated				20,728,446	73,691	20,802,137
NET POSITION, (deficit) end of year				<u>\$ 22,977,597</u>	<u>\$ (8,992)</u>	<u>\$ 22,968,605</u>

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

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	Capital Project Funds					
	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,782,416	\$ 2,205,597	\$ 1,287,890	\$ 225,426	\$ 1,140,272	\$ 10,641,601
Receivables:						
Property tax:						
Delinquent	41,999		8,344	7,731	2,593	60,667
Succeeding year	7,058,949		1,344,192	1,273,478	210,000	9,886,619
Accounts	506,074					506,074
Prepaid expenses					26,720	26,720
Due from other governments	1,001,451	141,936				1,143,387
Total assets	\$ 14,390,889	\$ 2,347,533	\$ 2,640,426	\$ 1,506,635	\$ 1,379,585	\$ 22,265,068
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 105,709				\$ 11,448	\$ 117,157
Salaries and benefits payable	2,082,632					2,082,632
Total liabilities	2,188,341	\$ -	\$ -	\$ -	11,448	2,199,789
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	7,058,949		1,344,192	1,273,478	210,000	9,886,619
Other	942,606					942,606
Total deferred inflows of resources	8,001,555	-	1,344,192	1,273,478	210,000	10,829,225
Fund balances:						
Nonspendable					26,720	26,720
Restricted for:						
Debt service				233,157		233,157
Categorical funding	450,777					450,777
Management levy purposes					812,660	812,660
Student activities					318,604	318,604
Physical plant and equipment			1,296,234			1,296,234
School infrastructure		2,347,533			153	2,347,686
Unassigned	3,750,216					3,750,216
Total fund balances	4,200,993	2,347,533	1,296,234	233,157	1,158,137	9,236,054
Total liabilities, deferred inflows of resources and fund balances	\$ 14,390,889	\$ 2,347,533	\$ 2,640,426	\$ 1,506,635	\$ 1,379,585	\$ 22,265,068

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION

Total governmental fund balances		\$ 9,236,054
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, net of accumulated depreciation of:		
\$ 30,014,536		37,149,330
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	\$ 2,365,472	
Deferred inflows of resources	(1,675,146)	690,326
Some liabilities, including bonds payable and accrued interest, compensated absences payable, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(10,950,000)	
Capital leases	(1,259,221)	
Accrued interest	(53,855)	
Compensated absences	(81,337)	
Early retirement	(570,538)	
Net pension liability	(9,697,446)	
Net OPEB liability	(1,485,716)	(24,098,113)
Net position of governmental activities per Exhibit A		<u>\$ 22,977,597</u>

DECORAH COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	Capital Project Funds					Total Governmental Funds
	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	
REVENUES						
Local sources:						
Local property tax	\$ 7,716,611		\$ 1,369,714	\$ 1,269,070	\$ 423,252	\$ 10,778,647
Tuition	2,469,241					2,469,241
Other	128,536	\$ 63,720	5,469	2,331	731,036	931,092
State sources	10,075,284	1,685,547	23,630	21,894	7,345	11,813,700
Federal sources	528,844					528,844
Total revenues	<u>20,918,516</u>	<u>1,749,267</u>	<u>1,398,813</u>	<u>1,293,295</u>	<u>1,161,633</u>	<u>26,521,524</u>
EXPENDITURES						
Current:						
Instruction:						
Regular instruction	6,958,288		4,696		215,535	7,178,519
Special instruction	3,713,356				22,500	3,735,856
Other instruction	2,316,352	8,074	19,948		707,291	3,051,665
	<u>12,987,996</u>	<u>8,074</u>	<u>24,644</u>	<u>-</u>	<u>945,326</u>	<u>13,966,040</u>
Support services:						
Student services	650,994					650,994
Instructional staff services	1,549,240	39,485	69,215		7,500	1,665,440
Administration services	1,749,002	15,035	20,506	12	9,317	1,793,872
Operation and maintenance plant services	1,873,806	50,400			241,385	2,165,591
Transportation services	925,881		173,800		74,518	1,174,199
	<u>6,748,923</u>	<u>104,920</u>	<u>263,521</u>	<u>12</u>	<u>332,720</u>	<u>7,450,096</u>
Other:						
Long-term debt:						
Principal				2,482,948		2,482,948
Interest and fiscal charges				417,885		417,885
Facilities acquisition		259,821	178,065			437,886
AEA flowthrough	739,390					739,390
	<u>739,390</u>	<u>259,821</u>	<u>178,065</u>	<u>2,900,833</u>	<u>-</u>	<u>4,078,109</u>
Total expenditures	<u>20,476,309</u>	<u>372,815</u>	<u>466,230</u>	<u>2,900,845</u>	<u>1,278,046</u>	<u>25,494,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>442,207</u>	<u>1,376,452</u>	<u>932,583</u>	<u>(1,607,550)</u>	<u>(116,413)</u>	<u>1,027,279</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	20,647		100,000	1,626,095	100,000	1,846,742
Operating transfers (out)		(969,824)	(756,271)		(100,000)	(1,826,095)
Sale of capital assets	7,022	298,483				305,505
	<u>27,669</u>	<u>(671,341)</u>	<u>(656,271)</u>	<u>1,626,095</u>	<u>-</u>	<u>326,152</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	<u>469,876</u>	<u>705,111</u>	<u>276,312</u>	<u>18,545</u>	<u>(116,413)</u>	<u>1,353,431</u>
FUND BALANCES, beginning of year, as restated	<u>3,731,117</u>	<u>1,642,422</u>	<u>1,019,922</u>	<u>214,612</u>	<u>1,274,550</u>	<u>7,882,623</u>
FUND BALANCES, end of year	<u>\$ 4,200,993</u>	<u>\$ 2,347,533</u>	<u>\$ 1,296,234</u>	<u>\$ 233,157</u>	<u>\$ 1,158,137</u>	<u>\$ 9,236,054</u>

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances - total governmental funds	\$	1,353,431
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays in the current year, as follows:		
Depreciation	\$ (2,177,165)	
Capital outlays	987,836	(1,189,329)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		2,482,948
The net effect of disposal of capital assets.		(13,048)
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.		(12,833)
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.		1,107,871
Early retirement payments, pension and OPEB are expenditures in the governmental funds when paid, but reduce long-term liabilities in the statement of net position and affect the statement of activities as accrued, as follows:		
Compensated absences	(16,235)	
Early retirement	207,457	
Pension expense	(1,687,882)	
OPEB expense	16,771	(1,479,889)
Change in net position of governmental activities per Exhibit B	\$	2,249,151

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	School Nutrition Fund	Viking Café Fund	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash	\$ 145,922	\$ 1,097	\$ 147,019
Due from other governments	51,946		51,946
Inventories	25,535		25,535
Total current assets	223,403	1,097	224,500
NONCURRENT ASSETS			
Furniture and equipment	1,030,024	105,289	1,135,313
Less accumulated depreciation	(947,508)	(105,289)	(1,052,797)
Total noncurrent assets	82,516	-	82,516
Total assets	305,919	1,097	307,016
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related deferred outflows	4,176		4,176
Pension related deferred outflows	60,833		60,833
Total deferred outflows of resources	65,009	-	65,009
Total assets and deferred outflows of resources	\$ 370,928	\$ 1,097	\$ 372,025
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 3,655		\$ 3,655
Salaries and benefits payable	78,176		78,176
Unearned revenues	53,117		53,117
Total current liabilities	134,948	\$ -	134,948
NONCURRENT LIABILITIES			
Net pension liability	191,888		191,888
Total OPEB liability	47,378		47,378
Total noncurrent liabilities	239,266	-	239,266
Total liabilities	374,214	-	374,214
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	6,803	-	6,803
NET POSITION			
Net investment in capital assets	82,516		82,516
Restricted for meal donations	8,538		8,538
Unrestricted (deficit)	(101,143)	1,097	(100,046)
Total net position (deficit)	(10,089)	1,097	(8,992)
Total liabilities, deferred inflows of resources and net position	\$ 370,928	\$ 1,097	\$ 372,025

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	School Nutrition Fund	Viking Café Fund	Total Proprietary Funds
OPERATING REVENUES			
Local sources:			
Charges for services	\$ 529,567	\$ -	\$ 529,567
OPERATING EXPENSES			
Non-instructional programs:			
Food service operations:			
Salaries and benefits	538,485		538,485
Purchased services	2,825		2,825
Supplies	461,474	353	461,827
Depreciation	93,852	15,042	108,894
Total operating expenses	1,096,636	15,395	1,112,031
Operating loss	(567,069)	(15,395)	(582,464)
NONOPERATING REVENUES			
Interest income	1,608		1,608
State sources	6,754		6,754
Federal sources	512,066		512,066
Total nonoperating revenues	520,428	-	520,428
Loss before transfers	(46,641)	(15,395)	(62,036)
TRANSFER OUT	(20,647)	-	(20,647)
Change in net position	(67,288)	(15,395)	(82,683)
NET POSITION, beginning of year, as restated	57,199	16,492	73,691
NET POSITION, (deficit) end of year	\$ (10,089)	\$ 1,097	\$ (8,992)

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	School Nutrition Fund	Viking Café Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of lunches and breakfasts	\$ 496,101		\$ 496,101
Cash received from miscellaneous operating activities	62,490		62,490
Cash paid to employees for services	(519,252)		(519,252)
Cash paid to suppliers for goods or services	(386,665)	\$ (353)	(387,018)
Other payments	(2,825)		(2,825)
Net cash used in operating activities	<u>(350,151)</u>	<u>(353)</u>	<u>(350,504)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer out	(20,647)		(20,647)
Repayment of interfund payable	(83,326)		(83,326)
State and federal grants received	382,786		382,786
Net cash provided by noncapital financing activities	<u>278,813</u>	<u>-</u>	<u>278,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of equipment	(55,061)	-	(55,061)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,608	-	1,608
Net decrease in cash	(124,791)	(353)	(125,144)
CASH AND CASH EQUIVALENTS, beginning of year	<u>270,713</u>	<u>1,450</u>	<u>272,163</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 145,922</u>	<u>\$ 1,097</u>	<u>\$ 147,019</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (567,069)	\$ (15,395)	\$ (582,464)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	93,852	15,042	108,894
Commodities used	79,941		79,941
Increase in inventories	(8,773)		(8,773)
Increase in accounts payable	3,641		3,641
Increase in salaries and benefits payable	5,589		5,589
Increase in unearned revenues	29,024		29,024
Decrease in net pension liability	(24,715)		(24,715)
Decrease in OPEB liability	(616)		(616)
Decrease in deferred outflows of resources	46,709		46,709
Decrease in deferred inflows of resources	(7,734)		(7,734)
Net cash used in operating activities	<u>\$ (350,151)</u>	<u>\$ (353)</u>	<u>\$ (350,504)</u>
Non-cash, noncapital financing activities:			
During the year ended June 30, 2020, the District received commodities valued at:	<u>\$ 84,088</u>		
Equipment disposed:			
Cost	\$ 37,182		
Less accumulated depreciation	37,182		
	<u>\$ -</u>		

See Notes to Financial Statements.

DECORAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Decorah Community School District (the District) is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve, including special education and pre-kindergarten. The geographic area served includes the City of Decorah, Iowa, and the predominate agricultural territory in a portion of Winneshiek County. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a five-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fundraising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

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

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Decorah 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Ventures

The District participates in jointly governed organizations that provide services to the District and meet the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust and Decorah MetroNet.

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 Winneshiek County Assessor's Conference Board.

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, the statewide sales, services and use tax-capital project fund, the physical plant and equipment levy-capital project fund, and the debt service fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

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.

Capital Project Funds

The capital project funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through enterprise funds. The major funds in this category are the statewide sales, services and use tax and the physical plant and equipment levy.

The statewide sales, services and use tax are used to account for the purchase of capital assets using statewide sales tax and use tax proceeds.

The physical plant and equipment levy fund is used to account for the purchase of capital assets using property tax revenue.

Debt Service Fund

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.

Proprietary Funds

Enterprise Funds

The District's proprietary funds are the school nutrition fund and Viking Café fund. These funds are used to account for the food service operations and catering program of the District.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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 and Cash Equivalents

The District maintains one primary demand deposit account for each fund through which the cash resources are processed. All investment activity is carried on by the District in each individual fund. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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 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 to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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.

Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

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

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	100,000
Furniture and equipment:	
School nutrition fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

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

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. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2020 was used to calculate the salaries payable.

Advances from Grantors

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

Unearned Revenues

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenues consist primarily of hot lunch proceeds collected for the next school year.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position. Early retirement liability has been paid primarily by the nonmajor governmental management levy fund.

Pensions

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

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the 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 fund-school nutrition fund.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

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

Deferred Inflows of Resources

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

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 expense and income surtaxes.

Fund Balance

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

Nonspendable - amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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 - is the remaining fund balance, which is not included in other spendable classifications.

Net Position

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

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

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) as follows:

	Amortized Cost
Diversified portfolio	\$ 3,589,964
Direct government obligations portfolio	516,288
	\$ 4,106,252

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2020:

Governmental:	
General fund:	
Title I	\$ 63,515
Title IV	4,546
Non-public transportation	37,073
Income surtax	889,293
Other	7,024
	1,001,451
Capital project fund:	
Statewide sales, services and use tax	141,936
	\$ 1,143,387

4. Capital Assets

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 290,200			\$ 290,200
Construction in progress		\$ 79,031		79,031
Total capital assets not being depreciated	290,200	79,031	\$ None	369,231
Capital assets being depreciated:				
Land improvements	3,020,926	306,600		3,327,526
Buildings and improvements	48,343,818	111,365		48,455,183
Furniture and equipment	14,716,377	490,840	195,291	15,011,926
Total capital assets being depreciated	66,081,121	908,805	195,291	66,794,635
Less accumulated depreciation for:				
Land improvements	1,683,928	145,341		1,829,269
Buildings	15,816,893	995,616		16,812,509
Furniture and equipment	10,518,793	1,036,208	182,243	11,372,758
Total accumulated depreciation	28,019,614	2,177,165	182,243	30,014,536
Total capital assets being depreciated, net	38,061,507	(1,268,360)	13,048	36,780,099
Governmental activities:				
Capital assets, net	\$ 38,351,707	\$ (1,189,329)	\$ 13,048	\$ 37,149,330
Business-type activities:				
Furniture and equipment	\$ 1,117,434	\$ 55,061	\$ 37,182	\$ 1,135,313
Less accumulated depreciation	981,085	108,894	37,182	1,052,797
Business-type activities:				
Capital assets, net	\$ 136,349	\$ (53,833)	\$ None	\$ 82,516

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 475,957
Other	155,153
Support services:	
Instructional staff services	120,405
Administration services	8,421
Operation and maintenance plant services	34,658
Transportation services	364,783
Unallocated depreciation	1,017,788
Total depreciation expense - governmental activities	\$ 2,177,165
 Business-type activities:	
Food services	\$ 108,894

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,535,000		\$ 1,095,000	\$ 4,440,000	\$ 1,125,000
Tax revenue bonds	4,730,000		395,000	4,335,000	410,000
Capital loan notes	2,680,000		505,000	2,175,000	520,000
Total	12,945,000	\$ None	1,995,000	10,950,000	2,055,000
 Other liabilities:					
Capital leases	1,747,169		487,948	1,259,221	411,497
Compensated absences	65,103	81,337	65,103	81,337	81,337
Early retirement	777,995		207,457	570,538	194,332
Total other liabilities	2,590,267	81,337	760,508	1,911,096	687,166
 Governmental activities:					
Long-term liabilities	\$ 15,535,267	\$ 81,337	\$ 2,755,508	\$ 12,861,096	\$ 2,742,166

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and the sum of the employee's age and the total number of years of public-school employment must equal at least eighty years on August 15, 2019. Employees must complete an application, which is subject to approval by the Board of Education. The early retirement incentive for each eligible certified employee age fifty-five or over is 50% of the employee's current regular salary schedule. The District is obligated to pay between \$627 and \$730 per month of health insurance for eight years or until the employee reaches the age sixty-five, whichever comes first.

Early retirement benefits will be paid in three equal installments over a three-year period beginning in January following the start of retirement, with subsequent payments each January for two more years.

At June 30, 2020, the District has obligations to eighteen participants with a total liability of \$570,538. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$207,457.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

Bond Indebtedness

\$4,440,000 General Obligation Bond, Series 2010A, due annually in varying installments June 1, 2020 through June 1, 2025 plus interest semiannually with interest rates of the bonds varying from 3.10% to 3.70%. Bonds maturing after June 1, 2020 are callable upon terms of par plus accrued interest to date of call. The Series 2010A Bonds will be paid from annual taxes levied against all taxable property within the District and are being used for the purpose of providing funds to construct additions to, remodel, improve, furnish, and equip the current high school building and to improve the site.

\$4,335,000 2012 School Infrastructure Local Option Sales and Services Tax Revenue Bonds, with principal due June 1, 2020 through June 1, 2029 plus interest semiannually with interest rate of the bonds varying from 2.40% to 3.40%. Bonds maturing after June 1, 2020 are callable upon terms of par plus accrued interest to date of call.

\$2,175,000 2010B General Obligation School Capital Loan Notes, due annually in varying installments June 1, 2020 through June 1, 2024 plus interest semiannually with interest rates of the bonds varying from 3.00% to 3.30%. Bonds maturing after June 1, 2020 are callable upon terms of par plus accrued interest to date of call.

Interest costs incurred and charged to expenses was \$430,718 for the year ended June 30, 2020. A summary of the bond principal and interest maturities is as follows:

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		Capital Loan Notes	
	Principal	Interest	General Obligation Bonds Principal	Interest
2021	\$ 1,125,000	\$ 147,878	\$ 520,000	\$ 68,595
2022	1,160,000	113,002	535,000	52,995
2023	1,200,000	75,303	550,000	36,410
2024	555,000	34,502	570,000	18,810
2025	400,000	14,800		
2026-2029				
Total	\$ 4,440,000	\$ 385,485	\$ 2,175,000	\$ 176,810

Year Ending June 30,	Governmental Activities			
	Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2021	\$ 410,000	\$ 129,080	\$ 2,055,000	\$ 345,553
2022	425,000	119,240	2,120,000	285,237
2023	440,000	108,190	2,190,000	219,903
2024	460,000	96,310	1,585,000	149,622
2025	475,000	83,430	875,000	98,230
2026-2029	2,125,000	179,420	2,125,000	179,420
Total	\$ 4,335,000	\$ 715,670	\$ 10,950,000	\$ 1,277,965

The District has pledged future statewide sales, services and use tax revenue to repay the \$4,335,000 bonds issued in November 2011. The bonds were issued for the purpose of providing funds for the items listed within the revenue purpose statement. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District. The bonds are not a general obligation of the District. However, the debts are subject to the constitutional debt limitation of the District.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

Bond Indebtedness (Continued)

The resolution providing for the issuance of the School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2012 includes the following provisions:

- a) \$584,210 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. This amount is reported in the capital project funds and is restricted.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2020. The required reserve account was established by the District and required transfers were made to the sinking account.

At June 30, 2020, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$1,388,115,206
Debt limit - 5% of total assessed valuation	\$ 69,405,760
Debt applicable to debt limit:	
General obligation:	
Capital loan notes	(2,175,000)
Bonded debt outstanding	(4,440,000)
Tax revenue bonds	(4,335,000)
Capital leases	(1,259,221)
Legal debt margin	\$ 57,196,539

6. Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the general fund and the physical plant and equipment levy, a capital project fund. Capital assets under capital leases totaled \$1,094,246 at June 30, 2020. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2020.

Year Ending June 30,	Amount
2021	\$ 436,556
2022	436,556
2023	436,556
	1,309,668
Less imputed interest	(50,447)
Present value of minimum lease payments	\$ 1,259,221

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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

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

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

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

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

Disability and Death Benefits

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

Contributions

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

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (Continued)

Contributions (Continued)

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 \$1,141,533.

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 \$9,889,334 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 0.1707881%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,737,378. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,416	\$ 355,569
Changes of assumptions	1,059,289	
Net difference between projected and actual earnings on IPERS' investments		1,114,412
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	65,408	211,968
District contributions subsequent to the measurement date	1,141,533	
Total	\$ 2,293,646	\$ 1,681,949

\$1,141,533 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:

Year Ending June 30,	Amount
2020	\$ 150,542
2021	(298,044)
2022	(182,035)
2023	(177,984)
2024	(22,315)
Total	\$ (529,836)

There were no non-employer contributing entities to IPERS.

7. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

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

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

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
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	100.0%	

7. Pension Plan (Continued)

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	\$ 17,560,264	\$ 9,889,334	\$ 3,455,041

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 had no payables to report for the defined benefit pension plan for legally required District contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted 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 the District and are eligible to participate in the group medical and dental plans are eligible to continue healthcare benefits upon retirement after attaining at least age 55. Coverage during retirement continues in the group medical and dental plans up to age 65. The group medical benefits are provided through a fully insured plan with partial self-funding to a lower deductible. Retirees covered by the plan make contributions toward the plan premiums.

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	22
Active employees	250
Total	272

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The District's total OPEB liability of \$1,533,094 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

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)	3.25% per annum, based on general wage growth assumption of IPERS actuarial valuation.
Discount rate (effective June 30, 2020)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	7.50% 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.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 1,554,718</u>
Changes for the year:	
Service cost	101,243
Interest cost	53,711
Difference between expected and actual experiences	(71,806)
Changes in assumptions	5,629
Benefit payments	<u>(110,401)</u>
Net change	<u>(21,624)</u>
Total OPEB liability end of year	<u>\$ 1,533,094</u>

Changes of assumptions reflect a change in the discount rate of 3.58% in fiscal year 2019 to 3.50% in fiscal year 2020.

NOTES TO FINANCIAL STATEMENTS

8. Other Postemployment Benefits (OPEB) (Continued)

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	\$ 1,638,595	\$ 1,533,094	\$ 1,435,444

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 (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 1,408,814	\$ 1,533,094	\$ 1,678,266

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$18,941. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 74,769
Changes in assumptions	62,066
Total	\$ 136,835

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

Year Ending June 30,	Amount
2021	\$ 16,149
2022	16,149
2023	16,149
2024	16,149
2025	16,149
Thereafter	56,090
	\$ 136,835

NOTES TO FINANCIAL STATEMENTS

9. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the Northeast Iowa Schools Insurance Trust (trust) maintained by Midwest Group Benefits Consultants, Inc. There were three Wellmark Blue Cross/Blue Shield plans offered to the schools. The trust assumes liability for claims on its three plans as follows:

- Plan 1-between \$500 and \$6,000 for single coverage and \$1,000 and \$12,000 for family coverage,
- Plan 2-between \$1,000 and \$7,900 for single coverage and \$2,000 and \$15,800 for family coverage,
- Plan 3-between \$2,000 and \$6,000 for single coverage and \$4,000 and \$12,000 for family coverage.

All plans include coinsurance and plan 2 includes copayments. Claims in excess of the deductible are insured through the purchase of insurance. The District may be contingently liable for any claims in excess of funds available at June 30, 2020, since the pool arrangement allows the trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2020 was unavailable as of January 25, 2021. The District's contributions to the trust for the years ended June 30, 2020, 2019, and 2018 were \$2,435,659, \$2,468,468, and \$2,293,067, respectively, which equaled the required contributions each year. The employees paid \$47,276 in dental insurance for the year ended June 30, 2020.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the District's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance company coverage.

10. Risk Management

Decorah Community School District is exposed to various risks of loss related to torts; theft of; 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.

11. Interfund Transfers

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

	Transfers In	Transfers Out
General fund	\$ 20,647	
Debt service fund	1,626,095	
Capital project funds:		
Statewide sales, services and use tax fund		\$ 969,824
Physical plant and equipment levy fund	100,000	756,271
Management levy, special revenue fund	100,000	100,000
Business-type activities:		
School nutrition fund		20,647
	\$ 1,846,742	\$ 1,846,742

Transfers from the statewide sales, services and use tax fund and physical plant and equipment levy-capital project funds to the debt service fund were to move resources to help pay bond expenses. Transfers to the general fund and from the nutrition fund were for administrative costs. Transfers between physical plant and equipment levy-capital project funds and management levy-special revenue fund were a temporary internal loan for cash flow purposes during the transition of new bank accounts after the reorganization.

NOTES TO FINANCIAL STATEMENTS

12. Leases

The District has entered into a rental agreement with the following under the terms as described below.

- Bruening Rock Products, Inc. for the present bus garage facility for two years with payments of \$4,300 per month for the first year ending June 2021, and \$4,390 per month for the second year. The agreement expires June 2022.

Future minimum lease payments required under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 51,600
2022	52,680
	<u>\$ 104,280</u>

Total lease expense for the year ended June 30, 2020 was \$50,400.

13. 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 \$739,390 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.

14. Flexible Fringe Benefit Plan

The District sponsors a flexible fringe benefit plan as a part of its contractual obligation with its employees. The benefit available under the plan is insurance. Participating employees can choose among medical, life and dental insurance. The District contributes \$660 per month for full time staff and administration staff. The difference between the District's contribution and the amount of programs selected by the employee is added or subtracted from the employee's salary. There were 27 participants in the plan for the year ended June 30, 2020.

15. Joint Venture

The District participates in Decorah MetroNet, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The District appoints a member to the MetroNet Board and has access to the broadband service provided by MetroNet. MetroNet's audited financial statements are included in the City of Decorah's financial statements and are available from the City of Decorah at City Hall, Decorah, Iowa 52101.

16. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 9, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

NOTES TO FINANCIAL STATEMENTS

17. **Commitments**

The total outstanding construction and other commitments of the District at June 30, 2020 amounted to \$329,164 and commitments to be reimbursed is \$None.

Subsequent to the year ended June 30, 2020, the District has accepted bids totaling \$374,400, of which \$None will be reimbursed, for construction costs related to the softball complex project.

18. **Related Party Transaction**

During the year ended June 30, 2020, the District entered into business transactions with a District official, Board member Brian Petersburg. The transactions consisted of insurance policies with total payments to A&J Petersburg Insurance Agency of \$338,804. Mr. Petersburg is a Principal of A&J Petersburg Insurance Agency and handles the District's insurance policy with Specialty Underwriters.

19. **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.

Program	Amount
Four-year old Preschool State Aid	\$ 56,074
Dropout Prevention	62,236
Textbooks of Nonpublic Schools	2,417
Teacher Leadership	46,319
Teacher Salary Supplement	125,143
Home School Assistance Program	97,556
Professional Development	55,841
Empowerment Professional Development	3,137
Successful Progression for Early Readers	2,054
	\$ 450,777

20. **Net Position Deficits**

The governmental activities and the school nutrition proprietary fund have deficit net positions as of June 30, 2020. These deficits were incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*.

21. **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

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Decorah 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.

21. Tax Abatements (Continued)

Tax Abatements of Other Entities (Continued)

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:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Decorah	Urban renewal and economic development projects	\$ 42,950

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$109,099.

22. Accounting Change

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The new requirement changes the definition of fiduciary activity and establishes new financial reporting requirements for state and local governments which report fiduciary activity. This standard requirement did not impact the District during the year ended June 30, 2020.

23. Prospective Accounting Change

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the District. This statement which might impact the District is as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ending June 30, 2022. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The District's management has not yet determined the effect this statement will have on the District's financial statements.

NOTES TO FINANCIAL STATEMENTS

24. Restatement for District Consolidation

Effective July 1, 2019, the Decorah Community School District and the North Winneshiek Community School District reorganized to form the Decorah Community School District. The ending fund balances for each District at June 30, 2019 have been combined to establish the restated July 1, 2019 beginning balances for Decorah Community School District as follows:

	Decorah CSD June 30, 2019	North Winneshiek CSD June 30, 2019	Restatement	Restated Balance Decorah CSD July 1, 2019
Governmental funds:				
General fund	\$ 3,612,069	\$ 119,048		\$ 3,731,117
Student activity fund	279,437	9,299		288,736
Management levy fund	643,679	341,982		985,661
Statewide sales, services and use tax fund	1,355,858	286,564		1,642,422
Physical plant and equipment levy fund	938,568	81,354		1,019,922
Debt service fund	214,612			214,612
High school capital project fund	153			153
Total governmental funds	7,044,376	838,247	\$ None	7,882,623
Combination of governmental activities:				
Capital assets, net of accumulated depreciation	36,874,814	1,462,206	14,687	38,351,707
Deferred outflows of resources	2,652,360	313,600		2,965,960
Deferred inflows of resources	(714,656)	(133,915)		(848,571)
Accrued interest payable	(41,022)			(41,022)
Long-term liabilities	(26,467,755)	(1,114,496)		(27,582,251)
	12,303,741	527,395	14,687	12,845,823
Total governmental activities net position	\$ 19,348,117	\$ 1,365,642	\$ 14,687	\$ 20,728,446
Combination of enterprise funds:				
School nutrition fund	\$ 142,967	\$ (85,768)		\$ 57,199
Viking Café fund	16,492			16,492
Total enterprise funds (deficit)	\$ 159,459	\$ (85,768)	\$ None	\$ 73,691

As noted in the above table, the governmental activities net position as of July 1, 2019 was restated \$14,687, due to the former North Winneshiek Community School District having a different capitalization policy than that of the new reorganized District.

25. COVID-19

The recent COVID-19 outbreak in the United States has disrupted the District's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Accordingly, the District expects this matter to impact its net position, however, the related financial impact and duration cannot be reasonably estimated at this time. The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted in March 2020 in response to the outbreak, which among other things contains numerous tax, emergency funding and other provisions. The District is currently evaluating the impact of the CARES Act on its operations and cash flows. The District directly received \$341,700 of funding from the CARES Act, of which \$112,122 was for the school emergency relief fund program and \$229,578 for the school nutrition program.

26. Subsequent Events

Management has evaluated subsequent events through January 25, 2021, the date on which the financial statements were available to be issued.

Required Supplementary Information

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES-
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 For the Year Ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
REVENUES					
Local sources	\$ 14,178,980	\$ 531,175	\$ 14,710,155	\$ 15,843,610	\$ (1,133,455)
State sources	11,813,700	6,754	11,820,454	11,594,804	225,650
Federal sources	528,844	512,066	1,040,910	815,000	225,910
Total revenues	26,521,524	1,049,995	27,571,519	28,253,414	(681,895)
EXPENDITURES/EXPENSES					
Instruction	13,966,040		13,966,040	17,183,100	3,217,060
Support services	7,450,096		7,450,096	7,792,488	342,392
Non-instructional programs		1,112,031	1,112,031	1,343,100	231,069
Other expenditures	4,078,109		4,078,109	5,907,361	1,829,252
Total expenditures/expenses	25,494,245	1,112,031	26,606,276	32,226,049	5,619,773
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	1,027,279	(62,036)	965,243	(3,972,635)	4,937,878
OTHER FINANCING SOURCES (USES), NET	326,152	(20,647)	305,505	250,000	55,505
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	1,353,431	(82,683)	1,270,748	(3,722,635)	4,993,383
FUND BALANCES, beginning of year, as restated	7,882,623	73,691	7,956,314	4,797,578	3,158,736
FUND BALANCES, (deficit) end of year	\$ 9,236,054	\$ (8,992)	\$ 9,227,062	\$ 1,074,943	\$ 8,152,119

See Notes to Required Budgetary Information and Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the 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. 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.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Six Years*
 (In Thousands)

	2020	2019**	2018**	2017**	2016**	2015**
District's proportion of the net pension liability	0.170781%	0.169981%	0.168003%	0.174537%	0.175703%	0.179217%
District's proportionate share of the net pension liability	\$ 9,889	\$ 10,757	\$ 11,191	\$ 10,984	\$ 8,681	\$ 7,253
District's covered payroll	\$ 12,995	\$ 12,769	\$ 12,542	\$ 12,520	\$ 12,040	\$ 11,969
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.10%	84.24%	89.23%	87.73%	72.10%	60.60%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

**Amounts shown for the District's proportionate share of net pension liability and the District's covered payroll reflect the sum of those amounts for the former Decorah Community School District and North Winneshiek Community School District. These Districts reorganized to form Decorah Community School District on July 1, 2019.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Ten Years
 (In Thousands)

	2020	2019*	2018*	2017*	2016*	2015*	2014*	2013*	2012*	2011*
Statutorily required contribution	\$ 1,142	\$ 1,227	\$ 1,140	\$ 1,120	\$ 1,118	\$ 1,075	\$ 1,069	\$ 974	\$ 897	\$ 733
Contributions in relation to the statutorily required contribution	(1,142)	(1,227)	(1,140)	(1,120)	(1,118)	(1,075)	(1,069)	(974)	(897)	(733)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,093	\$ 12,995	\$ 12,769	\$ 12,542	\$ 12,520	\$ 12,040	\$ 11,969	\$ 11,233	\$ 11,115	\$ 10,546
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

* Amounts shown for fiscal year 2019 and prior years reflect the sum of those amounts for the former Decorah Community School District and North Winneshiek Community School District. These Districts reorganized to form Decorah Community School District on July 1, 2019.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
For the 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.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
 For the Last Three Years

	2020	2019*	2018*
Service cost	\$ 101,243	\$ 88,418	\$ 86,014
Interest cost	53,711	55,492	53,723
Difference between expected and actual experiences	(71,806)	-	23,676
Changes in assumptions	5,629	(379)	148,011
Benefit payments	(110,401)	(101,668)	(83,774)
Net change in total OPEB liability	(21,624)	41,863	227,650
Total OPEB liability beginning of year	1,554,718	1,512,855	1,285,205
Total OPEB liability end of year	<u>\$ 1,533,094</u>	<u>\$ 1,554,718</u>	<u>\$ 1,512,855</u>
Covered-employee payroll	\$ 10,692,222	\$ 11,138,371	\$ 10,841,422
Total OPEB liability as a percentage of covered-employee payroll	14.34%	13.96%	13.95%

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	3.58%
Year Ended June 30, 2018	3.58%
Year Ended June 30, 2017	2.50%

*Amounts shown for fiscal year 2019 and prior years reflect the sum of those amounts for the former Decorah Community School District and North Winneshiek Community School District. These Districts reorganized to form Decorah Community School District on July 1, 2019.

See Independent Auditor's Report.

Other Supplementary Information

DECORAH COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds	Capital Project Fund High School	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	\$ 1,140,119	\$ 153	\$ 1,140,272
Receivables:			
Property tax:			
Delinquent	2,593		2,593
Succeeding year	210,000		210,000
Prepaid expenses	26,720		26,720
Total assets	\$ 1,379,432	\$ 153	\$ 1,379,585
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,448	\$ -	\$ 11,448
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	210,000	-	210,000
Fund balances:			
Nonspendable	26,720		26,720
Restricted for:			
Management levy purposes	812,660		812,660
Student activities	318,604		318,604
School infrastructure		153	153
Total fund balances	1,157,984	153	1,158,137
Total liabilities, deferred inflows of resources and fund balances	\$ 1,379,432	\$ 153	\$ 1,379,585

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	Special Revenue Funds	Capital Project Fund High School	Total Nonmajor Funds
REVENUES			
Local sources:			
Property taxes	\$ 423,252		\$ 423,252
Other	731,036		731,036
State sources	7,345		7,345
Total revenues	1,161,633	\$ -	1,161,633
EXPENDITURES			
Current:			
Instruction:			
Regular instruction	215,535		215,535
Special instruction	22,500		22,500
Other instruction	707,291		707,291
Support services:			
Instructional staff services	7,500		7,500
Administration services	9,317		9,317
Operation and maintenance plant services	241,385		241,385
Transportation services	74,518		74,518
Total expenditures	1,278,046	-	1,278,046
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(116,413)	-	(116,413)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	100,000		100,000
Operating transfers out	(100,000)		(100,000)
	-	-	-
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND FINANCING USES	(116,413)	-	(116,413)
FUND BALANCES, beginning of year, as restated	1,274,397	153	1,274,550
FUND BALANCES, end of year	\$ 1,157,984	\$ 153	\$ 1,158,137

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2020

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 821,467	\$ 318,652	\$ 1,140,119
Receivables:			
Property tax:			
Delinquent	2,593		2,593
Succeeding year	210,000		210,000
Prepaid expenses	26,720		26,720
Total assets	\$ 1,060,780	\$ 318,652	\$ 1,379,432
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,400	\$ 48	\$ 11,448
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	210,000	-	210,000
Fund balances:			
Nonspendable	26,720		26,720
Restricted	812,660	318,604	1,131,264
Total fund balances	839,380	318,604	1,157,984
Total liabilities, deferred inflows of resources and fund balances	\$ 1,060,780	\$ 318,652	\$ 1,379,432

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2020

	Management Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources:			
Local property tax	\$ 423,252		\$ 423,252
Other	4,502	\$ 726,534	731,036
State sources	7,345		7,345
Total revenues	435,099	726,534	1,161,633
EXPENDITURES			
Current:			
Instruction:			
Regular instruction	215,535		215,535
Special instruction	22,500		22,500
Other instruction	10,625	696,666	707,291
Support services:			
Instructional staff services	7,500		7,500
Administration services	9,317		9,317
Operation and maintenance plant services	241,385		241,385
Transportation services	74,518		74,518
Total expenditures	581,380	696,666	1,278,046
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(146,281)	29,868	(116,413)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	100,000		100,000
Operating transfers out	(100,000)		(100,000)
	-	-	-
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND FINANCING USES	(146,281)	29,868	(116,413)
FUND BALANCES, beginning of year, as restated	985,661	288,736	1,274,397
FUND BALANCES, end of year	\$ 839,380	\$ 318,604	\$ 1,157,984

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2020

	Balance June 30, 2019	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2020
High School Football	\$ 11,004	\$ 23,714	\$ 31,241	\$ 3,477
High School Basketball	5,633	30,703	29,771	6,565
High School Wrestling	2,985	16,006	14,310	4,681
High School Baseball	579	16,475	16,399	655
High School Golf	2,843	2,336	1,800	3,379
High School Track	1,534	6,460	6,783	1,211
High School Softball	1,316	5,074	4,937	1,453
High School Volleyball	3,369	11,462	10,702	4,129
High School Tennis	3,379	1,862	1,764	3,477
High School Cross Country	7,811	20,282	18,789	9,304
High School Student Council	1,793			1,793
High School Community Club	224	758	838	144
High School Bowling	-	12,170	11,383	787
High School Swimming	2,107	24,276	22,443	3,940
High School Soccer	7,173	4,071	2,091	9,153
"D" Club	2,269	1,561	2,311	1,519
Art Club	4,169			4,169
Culture Club	89			89
Science Club	56			56
Future Farmers of America	14,947	68,085	59,284	23,748
Horticulture Club	1,521	1,022	1,868	675
Student Assistance	4,210	807	721	4,296
High School Music	5,766	41,428	35,913	11,281
High School Instrumental Music	312	12,048	11,255	1,105
High School Yearbook	57,401	30,909	51,515	36,795
High School Speech	-	19,931	19,871	60
High School Dramatics	14,185	13,232	14,203	13,214
High School Madrigal	7,906	5,724	2,707	10,923
High School Fire Squad	567	5,494	6,042	19
High School Cheerleading	3,162	5,890	3,068	5,984
Class 2020	9	3,560	3,569	-
High School General	6,082	208,241	204,965	9,358
First Lego League	831	603	1,277	157
Middle School Football	-	2,844	2,844	-
Middle School Cross Country	-	1,150	1,150	-
Middle School Basketball	-	3,933	3,933	-
Middle School Wrestling	-	844	844	-
Middle School Volleyball	-	1,852	1,852	-
Middle School Cheerleading	386	398	784	-
Middle School Yearbook	13,166	6,350	5,090	14,426
Scholarships	5,850	6,100	5,850	6,100
Middle School General	614	147	147	614
Middle School Fundraising	25,580	57,474	37,386	45,668
Middle School Student Council	308	200		508
Middle School Summer Tag	3,132	150	90	3,192
Middle School Arts	300	50		350
Investments	2,649	969		3,618
Vocational Ag	234			234
Vocational	1,256			1,256
A/P Exam Testing	3,068	10,723	11,489	2,302
Subtotals	231,775	687,368	663,279	255,864

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2020

	Balance June 30, 2019	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2020
Subtotals	\$ 231,775	\$ 687,368	\$ 663,279	\$ 255,864
West Side Yearbook	220	250	250	220
DVABC	858	48,781	48,185	1,454
Decorah Craft Show	3,187		3,187	-
Elementary Playground	978		382	596
Wellness	1,052			1,052
Youth Marketplace	2,439			2,439
First Tech Challenge	6,403	10,585	3,989	12,999
West Side Elementary General	41,824	13,180	11,024	43,980
Totals	<u>\$ 288,736</u>	<u>\$ 760,164</u>	<u>\$ 730,296</u>	<u>\$ 318,604</u>

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Years Ended June 30,

	Modified Accrual Basis									
	2020	2019*	2018*	2017*	2016*	2015*	2014*	2013*	2012*	2011*
REVENUES										
Local sources:										
Local property tax	\$ 10,778,647	\$ 11,289,480	\$ 10,889,755	\$ 11,335,310	\$ 10,942,214	\$ 11,003,120	\$ 10,601,243	\$ 10,312,081	\$ 10,133,207	\$ 9,376,390
Tuition	2,469,241	4,333,822	4,082,656	4,017,019	4,186,885	4,277,595	3,874,635	3,873,208	3,761,632	3,786,131
Other	931,092	1,418,841	1,457,086	1,590,291	1,318,633	2,578,131	2,683,863	2,703,167	2,669,772	3,328,306
State sources	11,813,700	11,094,909	10,664,483	10,914,926	10,851,559	8,850,591	8,969,896	8,453,439	8,700,158	8,110,829
Federal sources	528,844	596,894	601,286	509,074	425,831	474,612	469,905	477,094	851,670	986,013
Total revenues	\$ 26,521,524	\$ 28,733,946	\$ 27,695,266	\$ 28,366,620	\$ 27,725,122	\$ 27,184,049	\$ 26,599,542	\$ 25,818,989	\$ 26,116,439	\$ 25,587,669
EXPENDITURES										
Current:										
Instruction:										
Regular instruction	\$ 7,178,519	\$ 9,328,932	\$ 8,631,311	\$ 8,486,031	\$ 9,082,310	\$ 8,896,984	\$ 9,041,899	\$ 8,384,390	\$ 9,160,528	\$ 8,426,813
Special instruction	3,735,856	3,658,229	4,005,009	3,926,739	4,125,848	4,391,860	4,165,585	3,650,911	3,863,960	4,056,212
Other instruction	3,051,665	3,075,466	3,446,241	3,366,364	2,916,648	4,535,706	2,799,837	3,224,111	1,899,154	2,030,173
Support services:										
Student services	650,994	613,426	602,000	606,884	595,092	463,845	389,247	382,289	429,536	469,875
Instructional staff services	1,665,440	1,609,301	1,442,684	1,430,149	1,420,000	1,224,249	1,757,210	977,844	1,029,473	1,225,592
Administration services	1,793,872	2,295,784	2,306,130	2,122,505	1,968,068	2,009,002	1,957,938	1,915,672	1,849,463	1,646,553
Operation and maintenance plant services	2,165,591	2,183,956	1,987,025	2,378,874	2,002,314	2,097,470	2,261,508	2,050,509	1,825,845	1,679,514
Transportation services	1,174,199	1,258,613	1,293,850	1,328,048	1,060,512	1,409,487	1,194,967	1,167,781	1,067,706	1,055,154
Non-instructional				9,373	7,465	7,522	5,365	5,502	6,463	45,451
Other:										
Facilities acquisition	437,886	2,021,452	301,028	426,369	538,443	220,831	1,946,775	7,526,392	12,301,251	1,938,350
Long-term debt:										
Principal	2,482,948	2,063,764	2,388,716	2,396,804	2,486,748	2,603,652	1,902,195	2,213,524	1,941,354	6,421,556
Interest and fiscal charges	417,885	453,408	507,302	528,296	595,012	605,799	626,091	658,551	709,470	666,489
Bond issuance cost									3,000	92,048
AEA flowthrough	739,390	732,374	727,729	716,363	717,545	709,040	694,203	663,143	662,503	727,046
Total expenditures	\$ 25,494,245	\$ 29,294,705	\$ 27,639,025	\$ 27,722,799	\$ 27,516,005	\$ 29,175,447	\$ 28,742,820	\$ 32,820,619	\$ 36,749,706	\$ 30,480,826

* Amounts shown for fiscal year 2019 and prior years reflect the sum of those amounts for the former Decorah Community School District and North Winneshiek Community School District. These Districts reorganized to form Decorah Community School District on July 1, 2019.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Decorah Community School District were prepared in accordance with U.S. generally accepted accounting principles.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Decorah Community School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) One significant deficiency in internal control over the major federal award programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Decorah Community School District expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - Clustered programs:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - U.S. Department of Agriculture - School Breakfast Program
 - CFDA Number 10.555 - U.S. Department of Agriculture - National School Lunch Program
 - CFDA Number 10.555 - USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP)
- (h) The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- (i) Decorah Community School District was not determined to be a low-risk auditee.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2020-001 Overlapping Duties

Condition: The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

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.

Cause: The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect: This deficiency results in a reasonable possibility that the District would not be able to detect misstatements that would be material in relation to the financial statements and/or federal award programs in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: The District should review the operating procedures of the District offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

**Views of Responsible
Officials and Planned**

Corrective Actions: Management is cognizant of this limitation and will implement additional procedures where possible.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

- CFDA Number 10.553 - U.S. Department of Agriculture - School Breakfast Program
- CFDA Number 10.555 - U.S. Department of Agriculture - National School Lunch Program
- CFDA Number 10.555 - USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP)

Federal Award Year: 2020

Passed through the Iowa Department of Education

See 2020-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated January 25, 2021.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2020

Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Expenditures
Indirect:				
U.S. Department of Agriculture:				
Passed through Iowa Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A		\$ 19,506
National School Lunch Program	10.555	N/A		262,982 *
USDA Child Nutrition Program CARES Grants to States (COVID-19 SFSP)	10.555	N/A		229,578
Total National School Lunch Program				<u>492,560</u>
Total U.S. Department of Agriculture				<u>512,066</u>
U.S. Department of Education:				
Passed through Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY20		148,313
Supporting Effective Instruction State Grant	84.367	FY20		29,497
Special Education Grants to States	84.027	FY20		73,410
Title IV Student Support and Academic Enrichment Program	84.424	FY20		5,823
Career and Technical Education-Basic Grants to States	84.048	FY20		9,118
Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER Fund)	84.425D	FY20	\$ 1,650	58,808
Total U.S. Department of Education			<u>1,650</u>	<u>324,969</u>
Total Federal Financial Assistance			<u>\$ 1,650</u>	<u>\$ 837,035</u>

* Includes \$84,088 of non-cash awards.

See Independent Auditor's Report.

DECORAH COMMUNITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Decorah Community School District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Decorah Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Decorah Community School District.

Summary of Significant Accounting Policies:

- 1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 2) Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate:

Decorah Community School District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See Independent Auditor's Report.

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
Decorah Community School District
Decorah, Iowa

We have audited, in accordance with the 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 Decorah Community School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Decorah Community School District's basic financial statements, and have issued our report thereon dated January 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decorah Community School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 Decorah Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Decorah Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decorah Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Decorah Community School District's Response to Finding

Decorah Community School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Decorah Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 25, 2021

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

123 West Water Street
PO Box 507
Decorah, IA 52101
Telephone 563-382-3637
Fax 563-382-5797

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Decorah Community School District
Decorah, Iowa

Report on Compliance for Each Major Federal Program

We have audited Decorah Community School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Decorah Community School District's major federal programs for the year ended June 30, 2020. Decorah Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Decorah Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Decorah Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Decorah Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Decorah Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Decorah Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decorah Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Decorah Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Decorah Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Decorah Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 25, 2021

MANAGEMENT LETTER

To the Board of Education
Decorah Community School District
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Decorah Community School District for the year ended June 30, 2020, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions, and other matters. Items 1 through 13 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 25, 2021, contains our report on the District's internal control over financial reporting. This letter does not affect our report dated January 25, 2021, on the basic financial statements of the Decorah Community School District. Comment numbers 4, 8, and 15 are unresolved comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.

1. Certified Budget
Disbursements for the year ended June 30, 2020, did not exceed the budgeted amounts.
2. Questionable Expenditures
We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.
3. Travel Expense
No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.

4. **Business Transactions**

No business transactions between the District and District officials or employees were noted, except for the following.

During the year ended June 30, 2020, the District entered into a business transaction with a District official. Details are as follows:

Name, Title and Business Connection: Brian Petersburg, Board Member, Principal of A&J Petersburg Insurance Agency.

Transaction Description: Insurance policies.

Amount: \$338,804

The School District participates in the Iowa Association of School Boards Safety Group Insurance Program. This is a statewide group in which substantially all school districts participate. The advantage of this group is that the insurance cost and the coverage is negotiated by the group's managing agent. The commission received by the local insurance agency who services the account is set by the safety group. Chapter 279.7A of the Code of Iowa states that a transaction with a Board Member needs to meet certain requirements. The School District's legal counsel advises the above participation falls within the exception requirements of Chapter 279.7A of the Code of Iowa.

5. **Restricted Donor Activity**

We noted no transactions between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

6. **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.

7. **Board Minutes**

We noted no transactions requiring Board approval which had not been approved by the Board. We also noted no minutes and bills that had not been published as required.

8. **Certified Enrollment**

We noted two resident students attending other districts for medical or special education reasons were excluded from basic enrollment data certified to the Iowa Department of Education.

Recommendation

The District should notify the Iowa Department of Education of the errors to get the proper count.

Response and Corrective Action Planned

The District has contacted the Iowa Department of Education.

Conclusion

Response accepted.

9. **Supplementary Weighting**

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

10. **Deposits and Investments**

No instances of noncompliance 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.

11. **Certified Annual Report**

The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

12. Categorical Funding

No instances were noted of categorical funding being used to supplant rather than supplement other funds.

13. Statewide Sales, Services and Use Tax

No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated		\$ 1,642,422
Statewide sales, services and use tax	\$ 1,685,547	
Sale of capital assets	298,483	
Other	63,720	2,047,750
<hr/>		
Expenditures/transfers out:		
School infrastructure:		
Regular instruction equipment	8,074	
Support services equipment	104,920	
Equipment and architect	259,821	
Transfers to other funds:		
Debt service fund	969,824	1,342,639
<hr/>		
Ending balance		\$ 2,347,533

For the year ended June 30, 2020, the District reduced the following levies as a result of the moneys received under Chapters 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<hr/>	<hr/>
Debt service levy	\$ 1.18	\$ 969,824
Physical plant and equipment levy (PPEL)	0.87	715,723
		<hr/>
		\$ 1,685,547

14. Student Activity Fund

For the items tested, no instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for moneys in the student activity fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.

15. Disbursements

During our audit, we noted various items not in compliance with District procedures. From a total of forty-one disbursements tested, we noted the following:

- One general fund and two student activity checks were issued prior to acquiring an approved purchase order.
- One nutrition fund check purchase order was missing supervisor approval signature.
- One general fund check for a local purchase more than \$100 did not have an approved purchase order.
- Two credit card payments had instances of items being purchased prior to acquiring an approved purchase order, invoices more than approved purchase order due to shipping charges, charges without supporting documentation or detailed supporting documentation.

After subsequent review, it appeared all tested disbursements were appropriate expenditures of public funds and were not charged to federal programs.

Recommendation

We recommend the District remind staff of the policy of receiving an approved purchase order prior to any purchase and take extra care to ensure disbursement amounts do not exceed approved amounts.

Response and Corrective Action Planned

Management is aware of the issue and committed to reinforce existing policy.

Conclusion

Response accepted.

16. Transfers

During our audit, we noted interfund transfers exceeded the amount budgeted. Transfers between physical plant and equipment levy-capital project funds and management levy-special revenue fund were a temporary internal loan for cash flow purposes during the transition of new bank accounts after the reorganization.

Recommendation

We recommend the District approve any transfers exceeding budgeted amounts, either by separate Board approval or during the budget amendment process.

Response and Corrective Action Planned

In the future, we will approve any transfers beyond budgeted amounts.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

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

Hacke, Nelson & Co., P.C.

Decorah, Iowa
January 25, 2021