

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

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Knoxville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Andrew Schmidt	President	2019
Larissa Van Donselaar	Vice President	2019
Vickie Reed	Board Member	2019
Marty Duffy	Board Member	2021
Larry Scott	Board Member	2021
School Officials		
Cassi Pearson	Superintendent	2019
Craig Mobley	District Secretary/Treasurer and Business Manager	2019
Drew Bracken	Attorney	2019

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Knoxville Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Knoxville Community School District, Knoxville, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Knoxville Community School District as of June 30, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Knoxville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information, including the Schedule of Expenditures of Federal Awards, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2020 on our consideration of Knoxville Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Knoxville Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2020
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Knoxville 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, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$12,434,216 at June 30, 2018 to \$13,402,052 at June 30, 2019. Total revenues increased 5.40% from \$23,574,335 in fiscal year 2018 to \$24,846,427 in fiscal year 2019, while expenses increased 2.96% from \$23,191,909 in fiscal year 2018 to \$23,878,591 during fiscal year 2019.
- General Fund revenues increased from \$19,462,442 in fiscal year 2018 to \$20,369,898 in fiscal year 2019, while General Fund expenditures increased from \$19,312,083 in fiscal year 2018 to \$19,766,033 in fiscal year 2019. This resulted in an increase in the District's General Fund balance from \$2,891,254 at June 30, 2018 to \$3,495,119 at June 30, 2019, a 20.89% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state sources revenues received in fiscal year 2019. The increase in expenditures was due primarily to an increase instruction costs incurred during the year.

USING THIS ANNUAL REPORT

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

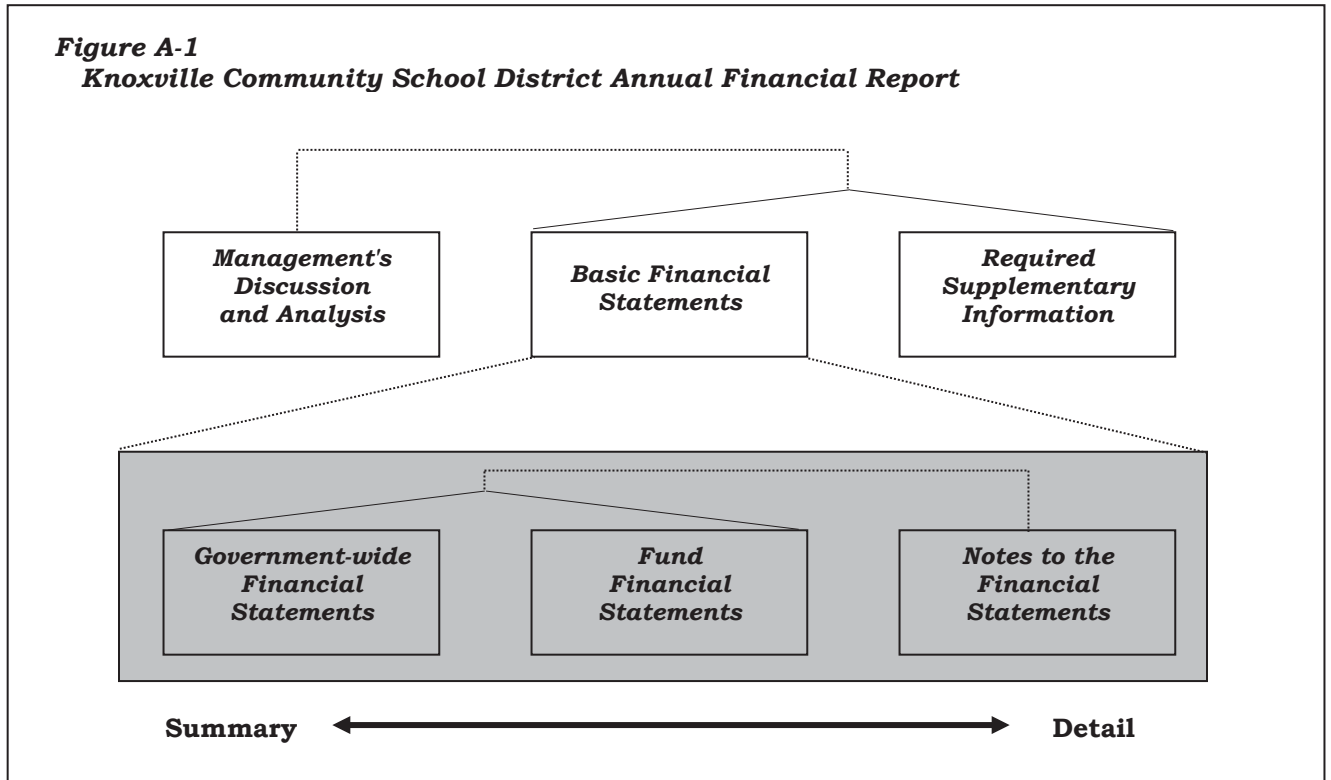


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> · Statement of net position · Statement of activities 	<ul style="list-style-type: none"> · Balance sheet · Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> · Statement of net position · Statement of revenues, expenses and changes in fund net position · Statement of cash flows 	<ul style="list-style-type: none"> · Statement of fiduciary net position · Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period.	Consumption/ acquisition of fund balance that is applicable to a future reporting period.	Consumption/ acquisition of net position that is applicable to a future reporting period.	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. The District's Internal Service Funds, another type of proprietary fund, are the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has two internal service funds: Health Insurance and Dental Insurance.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund and Agency Fund.
- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for Flex Spending accounts and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2019 compared to June 30, 2018.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Current and other assets	\$ 17,437,803	16,548,153	131,607	93,736	17,569,410	16,641,889	5.57%
Capital assets	28,142,058	29,159,907	70,017	84,787	28,212,075	29,244,694	-3.53%
Total assets	45,579,861	45,708,060	201,624	178,523	45,781,485	45,886,583	-0.23%
Deferred outflows of resources	2,679,632	3,049,592	71,691	87,575	2,751,323	3,137,167	-12.30%
Long-term liabilities	24,846,118	26,260,108	288,606	310,131	25,134,724	26,570,239	-5.40%
Other liabilities	2,689,342	2,968,718	63,116	68,288	2,752,458	3,037,006	-9.37%
Total liabilities	27,535,460	29,228,826	351,722	378,419	27,887,182	29,607,245	-5.81%
Deferred inflows of resources	7,218,492	6,960,508	25,082	21,781	7,243,574	6,982,289	3.74%
Net position:							
Net investment in capital assets	14,252,058	14,154,907	70,017	84,787	14,322,075	14,239,694	0.58%
Restricted	4,086,989	3,596,609	-	-	4,086,989	3,596,609	13.63%
Unrestricted	(4,833,506)	(5,183,198)	(173,506)	(218,889)	(5,007,012)	(5,402,087)	7.31%
Total net position	\$ 13,505,541	12,568,318	(103,489)	(134,102)	13,402,052	12,434,216	7.78%

The District's total net position increased 7.88%, or \$967,836, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$490,380, or 13.63%, from the prior year. This increase was primarily due to an increase in the amount restricted for management levy purposes compared to the prior year.

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 - increased \$395,075, or 7.31%. This increase unrestricted net position was primarily a result of the increase in the District's unassigned General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2019 compared to the year ended June 30, 2018.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Revenues:							
Program revenues:							
Charges for service	\$ 1,069,178	949,054	248,698	282,280	1,317,876	1,231,334	7.03%
Operating grants and contributions and restricted interest	1,843,680	1,556,002	608,916	510,752	2,452,596	2,066,754	18.67%
Capital grants and contributions and restricted interest	5,250	-	-	-	5,250	-	100.00%
General revenues:							
Property tax	6,276,005	6,454,823	-	-	6,276,005	6,454,823	-2.77%
Income surtax	594,079	573,234	-	-	594,079	573,234	3.64%
Statewide sales, services and use tax	1,807,753	1,625,641	-	-	1,807,753	1,625,641	11.20%
Unrestricted state grants	12,004,493	11,452,663	-	-	12,004,493	11,452,663	4.82%
Unrestricted investment earnings	116,028	48,557	1,945	1,298	117,973	49,855	136.63%
Other	254,499	111,798	15,903	8,233	270,402	120,031	125.28%
Total revenues	<u>23,970,965</u>	<u>22,771,772</u>	<u>875,462</u>	<u>802,563</u>	<u>24,846,427</u>	<u>23,574,335</u>	<u>5.40%</u>
Program expenses:							
Instruction	14,695,451	13,636,124	-	-	14,695,451	13,636,124	7.77%
Support services	6,271,841	6,541,350	751	768	6,272,592	6,542,118	-4.12%
Non-instructional programs	-	-	840,148	940,744	840,148	940,744	-10.69%
Other expenses	2,070,400	2,072,923	-	-	2,070,400	2,072,923	-0.12%
Total expenses	<u>23,037,692</u>	<u>22,250,397</u>	<u>840,899</u>	<u>941,512</u>	<u>23,878,591</u>	<u>23,191,909</u>	<u>2.96%</u>
Excess(Deficiency) of revenues over(under) expenses	933,273	521,375	34,563	(138,949)	967,836	382,426	153.08%
Transfers	3,950	3,000	(3,950)	(3,000)	-	-	0.00%
Change in net position	937,223	524,375	30,613	(141,949)	967,836	382,426	153.08%
Net position beginning of year	12,568,318	12,043,943	(134,102)	7,847	12,434,216	12,051,790	3.17%
Net position end of year	<u>\$ 13,505,541</u>	<u>12,568,318</u>	<u>(103,489)</u>	<u>(134,102)</u>	<u>13,402,052</u>	<u>12,434,216</u>	<u>7.78%</u>

In fiscal year 2019, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 86.28% of governmental activities revenues while charges for service and sales and operating grants and contributions accounted for 97.96% of business type activities revenues.

The District's total revenues were approximately \$24.85 million, of which approximately \$23.97 million was for governmental activities and approximately \$0.88 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.40% increase in revenues and a 2.96% increase in expenses. Revenues increased due in part to increases in funding from operating grants and unrestricted state grants revenue while the increase in expenses occurred primarily in the instruction function.

Governmental Activities

Revenues for governmental activities were \$23,970,965 and expenses were \$23,037,692.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses for the year ended June 30, 2019 compared to those expenses for the year ended June 30, 2018.

	Total Cost of Services			Net Cost of Services		
	2019	2018	2018-19	2019	2018	2018-19
Instruction	\$ 14,695,451	13,636,124	7.77%	12,600,843	11,870,031	6.16%
Support services	6,271,841	6,541,350	-4.12%	6,196,541	6,529,677	-5.10%
Other expenses	2,070,400	2,072,923	-0.12%	1,322,200	1,345,633	-1.74%
Totals	<u>\$ 23,037,692</u>	<u>22,250,397</u>	<u>3.54%</u>	<u>20,119,584</u>	<u>19,745,341</u>	<u>1.90%</u>

For the year ended June 30, 2019:

- The cost financed by users of the District’s programs was \$1,069,178.
- Federal, state governments and other donations from local sources subsidized certain programs with grants and contributions totaling \$1,848,930.
- The net cost of governmental activities was financed with \$6,276,005 in property tax, \$594,079 in income surtax, \$1,807,753 in statewide sales, services and use tax, \$12,004,493 in unrestricted state grants, \$116,028 in interest income and \$254,499 in other general revenues.

Business type Activities

Revenues of the District’s business type activities were \$875,462 and expenses were \$840,899 for the year ended June 30, 2019. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,348,761, above last year’s ending combined fund balances of \$6,620,768. The primary reason for the increase in combined fund balances in fiscal year 2019 is due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Revenues increased due to an increase in state revenues received compared to the prior year. An increase in expenditures was due to an increase in instructional expenditures incurred compared to the prior year. The fund balance of the General Fund increased from \$2,891,254 at June 30, 2018 to \$3,495,119 at June 30, 2019.
- The Capital Projects Fund balance increased from \$1,248,459 at June 30, 2018 to \$1,524,319 at June 30, 2019. Significant increases in local tax and sales tax revenues combined with reduced capital outlay expenditures led to the increase in fund balance.

- The Debt Service Fund balance decreased from \$1,752,681 at June 30, 2018 to \$1,683,155 at June 30, 2019. Revenues and expenditures did not vary significantly from the prior year

Proprietary Fund Highlights

The School Nutrition Fund net position increased from deficit \$134,102 June 30, 2018 to deficit \$103,489 at June 30, 2019, representing an increase of 22.83%. Total revenues increased 9.08% compared to the prior year while total expenses decreased 10.55% leading to the increase in fund net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$583,528 less than budgeted revenues, a variance of 2.29%. The most significant variance resulted from the District receiving less from state sources 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 at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$28,212,075, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.53% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$1,213,762.

The original cost of the District's capital assets was \$44,346,096. Governmental activities account for \$43,565,902 with the remainder of \$780,194 accounted for in the Proprietary, School Nutrition Fund.

The most significant change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$48,029 at June 30, 2019, compared to \$839,968 at June 30, 2018. This decrease is primarily due to the completion of the tennis/outdoor basketball court construction project during fiscal year 2019.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Land	\$ 59,679	63,966	-	-	59,679	63,966	-6.70%
Construction in progress	48,029	839,968	-	-	48,029	839,968	-94.28%
Buildings	26,960,620	27,073,662	-	-	26,960,620	27,073,662	-0.42%
Machinery and equipment	1,073,730	1,182,311	70,017	84,787	1,143,747	1,267,098	-9.73%
Total	<u>\$ 28,142,058</u>	<u>29,159,907</u>	<u>70,017</u>	<u>84,787</u>	<u>28,212,075</u>	<u>29,244,694</u>	<u>-3.53%</u>

Long-Term Debt

At June 30, 2019, the District had \$14,430,493 in long-term debt outstanding. This represents a decrease of 4.87% from last year. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

The District had outstanding revenue bonded indebtedness of \$12,845,000 at June 30, 2019 payable from the District's statewide sales, services and use tax revenues.

The District had outstanding capital loan notes indebtedness of \$1,045,000 at June 30, 2019 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had outstanding computer lease indebtedness of \$540,493 at June 30, 2019 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2019	2018	2018-19
Revenue bonds	\$ 12,845,000	13,800,000	-6.92%
Capital loan notes	1,045,000	1,205,000	-13.28%
Computer lease	540,493	164,475	228.62%
Total	<u>\$ 14,430,493</u>	<u>15,169,475</u>	<u>-4.87%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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 Iowa school funding formula is highly dependent upon student enrollment. Current and projected variances in enrollment will continue to be closely monitored by the District and will continue to impact the District's financial position.
- The impact on the State's economy from the COVID-19 pandemic is still unknown. A weak State economy adversely impacts the amount of new money available to the district. All budget concerns at the state level will impact future projections for the district. The district could be forced to shift more funding to property taxes in the future.
- The State of Iowa has only set the supplemental state aid rate for fiscal year 2021. The district's inability to predict future revenues will continue to have a significant impact on future budget decisions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Mobley, District Secretary/Treasurer and Business Manager, Knoxville Community School District, 309 W Main, Knoxville, Iowa, 50138.

KNOXVILLE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 10,082,012	19,419	10,101,431
Receivables:			
Property tax:			
Delinquent	57,948	-	57,948
Succeeding year	6,365,134	-	6,365,134
Income surtax	554,169	-	554,169
Accounts	41,277	35,711	76,988
Due from other governments	337,263	63,296	400,559
Inventories	-	13,181	13,181
Capital assets not being depreciated:			
Land and construction in progress	107,708	-	107,708
Capital assets, net of accumulated depreciation:			
Buildings and machinery and equipment	28,034,350	70,017	28,104,367
TOTAL ASSETS	45,579,861	201,624	45,781,485
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,512,386	65,930	2,578,316
OPEB related deferred outflows	167,246	5,761	173,007
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,679,632	71,691	2,751,323
LIABILITIES			
Accounts payable	482,959	712	483,671
Salaries and benefits payable	1,951,276	43,357	1,994,633
Incurred but not reported claims	79,190	-	79,190
Accrued interest payable	175,917	-	175,917
Unearned revenue	-	19,047	19,047
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	975,000	-	975,000
Capital loan notes payable	165,000	-	165,000
Computer lease payable	183,520	-	183,520
Termination benefits payable	119,464	-	119,464
Portion due after one year:			
Revenue bonds payable	11,870,000	-	11,870,000
Capital loan notes payable	880,000	-	880,000
Computer lease payable	356,973	-	356,973
Termination benefits payable	89,034	-	89,034
Net pension liability	9,259,923	255,978	9,515,901
Total OPEB liability	947,204	32,628	979,832
TOTAL LIABILITIES	27,535,460	351,722	27,887,182
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,365,134	-	6,365,134
Pension related deferred outflows	634,000	17,526	651,526
OPEB related deferred outflows	219,358	7,556	226,914
TOTAL DEFERRED INFLOWS OF RESOURCES	7,218,492	25,082	7,243,574
NET POSITION			
Net investment in capital assets	14,252,058	70,017	14,322,075
Restricted for:			
Categorical funding	617,762	-	617,762
Debt service	1,507,238	-	1,507,238
Management levy purposes	242,896	-	242,896
Student activities	194,774	-	194,774
School infrastructure	901,181	-	901,181
Physical plant and equipment	623,138	-	623,138
Unrestricted	(4,833,506)	(173,506)	(5,007,012)
TOTAL NET POSITION	\$ 13,505,541	(103,489)	13,402,052

SEE NOTES TO FINANCIAL STATEMENTS.

**KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,831,748	440,516	123,250	-	(8,267,982)	-	(8,267,982)
Special	2,874,163	133,838	330,181	-	(2,410,144)	-	(2,410,144)
Other	2,989,540	431,051	635,772	-	(1,922,717)	-	(1,922,717)
	14,695,451	1,005,405	1,089,203	-	(12,600,843)	-	(12,600,843)
Support services:							
Student	338,927	-	-	-	(338,927)	-	(338,927)
Instructional staff	907,126	59,172	-	-	(847,954)	-	(847,954)
Administration	2,580,211	-	805	-	(2,579,406)	-	(2,579,406)
Operation and maintenance of plant	1,710,321	-	-	5,250	(1,705,071)	-	(1,705,071)
Transportation	735,256	4,601	5,472	-	(725,183)	-	(725,183)
	6,271,841	63,773	6,277	5,250	(6,196,541)	-	(6,196,541)
Long-term debt interest	365,526	-	-	-	(365,526)	-	(365,526)
Other expenditures							
AEA flowthrough	748,200	-	748,200	-	-	-	-
Depreciation(unallocated)*	956,674	-	-	-	(956,674)	-	(956,674)
	1,704,874	-	748,200	-	(956,674)	-	(956,674)
Total governmental activities	23,037,692	1,069,178	1,843,680	5,250	(20,119,584)	-	(20,119,584)
Business type activities:							
Support services:							
Administration	751	-	-	-	-	(751)	(751)
Non-instructional programs:							
Food service operations	840,148	248,698	608,916	-	-	17,466	17,466
Total business type activities	840,899	248,698	608,916	-	-	16,715	16,715
Total	\$ 23,878,591	1,317,876	2,452,596	5,250	(20,119,584)	16,715	(20,102,869)
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 5,557,401	-		5,557,401
Capital outlay				718,604	-		718,604
Income surtax				594,079	-		594,079
Statewide sales, services and use tax				1,807,753	-		1,807,753
Unrestricted state grants				12,004,493	-		12,004,493
Unrestricted investment earnings				116,028	1,945		117,973
Other general revenues				254,499	15,903		270,402
Transfers				3,950	(3,950)		-
Total general revenues				21,056,807	13,898		21,070,705
Change in net position				937,223	30,613		967,836
Net position beginning of year				12,568,318	(134,102)		12,434,216
Net position end of year				\$ 13,505,541	(103,489)		13,402,052

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

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 5,586,383	1,401,964	1,683,155	652,084	9,323,586
Receivables:					
Property tax:					
Delinquent	47,779	6,440	-	3,729	57,948
Succeeding year	5,352,428	737,705	-	275,001	6,365,134
Income surtax	554,169	-	-	-	554,169
Accounts	31,250	1,059	-	8,968	41,277
Due from other governments	193,695	143,568	-	-	337,263
TOTAL ASSETS	\$ 11,765,704	2,290,736	1,683,155	939,782	16,679,377
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 413,105	28,712	-	18,220	460,037
Salaries and benefits payable	1,950,883	-	-	393	1,951,276
Total liabilities	2,363,988	28,712	-	18,613	2,411,313
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,352,428	737,705	-	275,001	6,365,134
Income surtax	554,169	-	-	-	554,169
Total deferred inflows of resources	5,906,597	737,705	-	275,001	6,919,303
Fund balances:					
Restricted for:					
Categorical funding	617,762	-	-	-	617,762
Debt service	-	-	1,683,155	-	1,683,155
Management levy purposes	-	-	-	451,394	451,394
Student activities	-	-	-	194,774	194,774
School infrastructure	-	901,181	-	-	901,181
Physical plant and equipment	-	623,138	-	-	623,138
Unassigned	2,877,357	-	-	-	2,877,357
Total fund balances	3,495,119	1,524,319	1,683,155	646,168	7,348,761
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,765,704	2,290,736	1,683,155	939,782	16,679,377

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total fund balances of governmental funds(page 20)		\$ 7,348,761
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		28,142,058
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		656,314
Accounts receivable income surtax is not yet available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		554,169
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(175,917)
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 resouces	\$ 2,679,632	
Deferred inflows of resources	<u>(853,358)</u>	1,826,274
Long-term liabilities, including bonds and notes payable, termination benefits payable, net pension liability, computer lease payable, and total OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(24,846,118)</u>
Net position of governmental activities(page 18)		<u><u>\$ 13,505,541</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,750,152	718,604	-	400,682	6,869,438
Tuition	506,952	-	-	-	506,952
Other	324,394	145,081	30,375	481,288	981,138
State sources	13,157,643	1,820,888	-	7,453	14,985,984
Federal sources	626,807	-	-	-	626,807
Total revenues	20,365,948	2,684,573	30,375	889,423	23,970,319
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,985,723	540,493	-	319,681	8,845,897
Special	2,803,383	-	-	-	2,803,383
Other	2,377,455	-	-	453,790	2,831,245
	13,166,561	540,493	-	773,471	14,480,525
Support services:					
Student	364,591	-	-	-	364,591
Instructional staff	861,736	42,283	-	-	904,019
Administration	2,408,157	52,120	-	101,577	2,561,854
Operation and maintenance of plant	1,609,965	-	-	96,581	1,706,546
Transportation	606,823	28,435	-	-	635,258
	5,851,272	122,838	-	198,158	6,172,268
Capital outlay	-	734,061	-	-	734,061
Long-term debt:					
Principal	-	-	1,279,475	-	1,279,475
Interest and fiscal charges	-	-	388,524	-	388,524
	-	-	1,667,999	-	1,667,999
Other expenditures:					
AEA flowthrough	748,200	-	-	-	748,200
Total expenditures	19,766,033	1,397,392	1,667,999	971,629	23,803,053
Excess(Deficiency) of revenues over over(under) expenditures	599,915	1,287,181	(1,637,624)	(82,206)	167,266
Other financing sources(uses):					
Transfer in	3,950	-	1,568,098	-	1,572,048
Transfer out	-	(1,568,098)	-	-	(1,568,098)
Sale of equipment	-	16,284	-	-	16,284
Computer lease proceeds	-	540,493	-	-	540,493
Total other financing sources(uses)	3,950	(1,011,321)	1,568,098	-	560,727
Change in fund balances	603,865	275,860	(69,526)	(82,206)	727,993
Fund balances beginning of year	2,891,254	1,248,459	1,752,681	728,374	6,620,768
Fund balances end of year	\$ 3,495,119	1,524,319	1,683,155	646,168	7,348,761

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019

Change in fund balances - total governmental funds(page 22) \$ 727,993

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

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

Capital outlay	\$ 749,407	
Depreciation expense	(1,186,496)	
Loss on asset disposal	(580,760)	
	(580,760)	(1,017,849)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 303,522

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the Statement of Net Position. Current year repayments and issuances are as follows:

Issued	(540,493)	
Repaid	1,279,475	
	1,279,475	738,982

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 22,998

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 646

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. 1,051,824

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

Termination benefits	276,782	
Pension expense	(1,227,917)	
Total OPEB liability and related expenses	60,242	
	60,242	(890,893)

Changes in net position of governmental activities(page 19) \$ 937,223

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business Type	
	Activities Enterprise: Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Current assets:		
Cash and pooled investments	\$ 19,419	758,426
Accounts receivable	35,711	-
Due from other governments	63,296	-
Inventories	13,181	-
Total current assets	<u>131,607</u>	<u>758,426</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	70,017	-
TOTAL ASSETS	<u>201,624</u>	<u>758,426</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	65,930	-
OPEB related deferred outflows	5,761	-
TOTAL DEFERRED OUTFLOWS	<u>71,691</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	712	22,922
Salaries and benefits payable	43,357	-
Incurred but not reported claims	-	79,190
Unearned revenue	19,047	-
Total current liabilities	<u>63,116</u>	<u>102,112</u>
Noncurrent liabilities:		
Net pension liability	255,978	-
Total OPEB liability	32,628	-
Total noncurrent liabilities	<u>288,606</u>	<u>-</u>
TOTAL LIABILITIES	<u>351,722</u>	<u>102,112</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	17,526	-
OPEB related deferred inflows	7,556	-
TOTAL DEFERRED OUTFLOWS	<u>25,082</u>	<u>-</u>
NET POSITION		
Invested in capital assets	70,017	-
Unrestricted	(173,506)	656,314
TOTAL NET POSITION	<u>\$ (103,489)</u>	<u>656,314</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 248,698	-
Miscellaneous	15,903	2,572,613
TOTAL OPERATING REVENUES	<u>264,601</u>	<u>2,572,613</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	751	2,269,091
Non-instructional programs:		
Food service operations:		
Salaries	276,667	-
Benefits	124,234	-
Supplies	411,981	-
Depreciation	27,266	-
	<u>840,148</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>840,899</u>	<u>2,269,091</u>
OPERATING INCOME (LOSS)	<u>(576,298)</u>	<u>303,522</u>
NON-OPERATING REVENUES:		
State sources	6,013	-
Federal sources	602,903	-
Interest on investments	1,945	-
TOTAL NON-OPERATING REVENUES	<u>610,861</u>	<u>-</u>
Change in net position before other financing uses	34,563	303,522
Other financing uses:		
Transfers out	<u>(3,950)</u>	<u>-</u>
Change in net position	30,613	303,522
Net position beginning of year	<u>(134,102)</u>	<u>352,792</u>
Net position end of year	<u>\$ (103,489)</u>	<u>656,314</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 249,405	-
Cash received from miscellaneous	15,903	2,572,613
Cash payments to employees for services	(409,387)	-
Cash payments to suppliers for goods or services	(341,803)	(1,972,968)
Net cash provided by(used in) operating activities	<u>(485,882)</u>	<u>599,645</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	(3,950)	-
Repayments to the General Fund	-	(119,546)
State grants received	4,513	-
Federal grants received	473,014	-
Net cash provided by(used in) non-capital financing activities	<u>473,577</u>	<u>(119,546)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(12,496)	-
Cash flows from investing activities:		
Interest on investments	1,945	-
Net increase(decrease) in cash and pooled investments	(22,856)	480,099
Cash and pooled investments beginning of year	42,275	278,327
Cash and pooled investments end of year	<u>\$ 19,419</u>	<u>758,426</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (576,298)	303,522
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	68,093	-
Depreciation	27,266	-
Decrease in inventories	2,982	-
Increase in accounts receivable	(413)	-
Increase in incurred but not reported claims	-	196,421
Decrease(Increase) in accounts payable	(146)	99,702
Decrease in salaries and benefits payable	(6,146)	-
Decrease in net pension liability	(19,686)	-
Decrease in deferred outflows of resources	15,884	-
Increase in deferred inflows of resources	3,301	-
Increase in unearned revenue	1,120	-
Decrease in OPEB liability	(1,839)	-
Net cash provided by(used in) operating activities	<u>\$ (485,882)</u>	<u>599,645</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2019 the District received \$68,093 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	<u>\$ 6,072</u>	<u>\$ 1,457</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>1,457</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 6,072</u>	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
Additions	\$ -	-
Deductions	-	-
Change in net position	-	-
Net position beginning of year	6,072	
Net position end of year	<u>\$ 6,072</u>	

SEE NOTES TO FINANCIAL STATEMENTS.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) Summary of Significant Accounting Policies

Knoxville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Knoxville, Iowa, and the predominate agricultural territory in Marion County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Knoxville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Knoxville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

The School Nutrition Fund is used to account for the food service operations of the District.

Additional proprietary funds reported by the District are as follows:

The Internal Service Funds are used to account for the health and dental plans of the District. The Internal Service Funds are charged back to the governmental activities and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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 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 - restricted and then unassigned fund balances.

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and Miles Capital Education which are valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2018.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles acquired July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery 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
Land improvements	20 years
Intangibles	2 or more years
Machinery 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 employer after the measurement date but before the end of the District’s reporting period.

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

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

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

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

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows 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 while the portion attributable to the business type activities will be paid primarily by the School Nutrition Fund.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2019 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, 2019, the District had investments in Miles Capital Education which are valued at an amortized cost of \$5,771,284. There were no limitations or restrictions on withdrawals of the Miles Capital Education investments. The investments in Miles Capital Education are registered and not subject to rating.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,966	-	4,287	59,679
Construction in progress	839,968	360,774	1,152,713	48,029
Total capital assets not being depreciated	903,934	360,774	1,157,000	107,708
Capital assets being depreciated:				
Buildings	39,184,542	1,420,105	1,300,932	39,303,715
Machinery and equipment	4,063,242	121,241	30,004	4,154,479
Total capital assets being depreciated	43,247,784	1,541,346	1,330,936	43,458,194
Less accumulated depreciation for:				
Buildings	12,110,880	956,674	724,459	12,343,095
Machinery and equipment	2,880,931	229,822	30,004	3,080,749
Total accumulated depreciation	14,991,811	1,186,496	754,463	15,423,844
Total capital assets being depreciated, net	28,255,973	354,850	576,473	28,034,350
Governmental activities capital assets, net	\$ 29,159,907	715,624	1,733,473	28,142,058
Business type activities:				
Machinery and equipment	\$ 775,840	12,496	8,142	780,194
Less accumulated depreciation	691,053	27,266	8,142	710,177
Business type activities capital assets, net	\$ 84,787	(14,770)	-	70,017

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 56,605
Support services:	
Administration	1,151
Operation and maintenance of plant	59,953
Transportation	112,113
	<u>229,822</u>
Unallocated depreciation	<u>956,674</u>
Total governmental activities depreciation expense	\$ <u>1,186,496</u>
Business type activities:	
Food service operations	\$ <u>27,266</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 13,800,000	-	955,000	12,845,000	975,000
Computer lease	164,475	540,493	164,475	540,493	183,520
Capital loan note	1,205,000	-	160,000	1,045,000	165,000
Termination benefits	485,280	-	276,782	208,498	119,464
Net pension liability	9,604,764	-	344,841	9,259,923	-
Total OPEB liability	1,000,589	-	53,385	947,204	-
Total	\$ 26,260,108	540,493	1,954,483	24,846,118	1,442,984
Business type activities:					
Net pension liability	\$ 275,664	-	19,686	255,978	-
Total OPEB liability	34,467	-	1,839	32,628	-
Total	\$ 310,131	-	21,525	288,606	-

Revenue Bonds Payable

Details of the District's June 30, 2019 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of June 27, 2012			Bond Issue of January 26, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	1.75	% \$ 370,000	118,238	2.68	% \$ 440,000	159,594
2021	2.00	375,000	111,250	2.68	450,000	147,668
2022	2.15	385,000	103,361	2.68	450,000	135,608
2023	2.30	390,000	94,738	2.68	475,000	123,213
2024	2.50	400,000	85,252	2.68	490,000	110,282
2025-2029	2.70-3.20	2,170,000	248,139	2.68	2,615,000	347,261
2030	3.25	475,000	7,719	2.68	1,255,000	26,063
Total		\$ 4,565,000	768,697		\$ 6,175,000	1,049,689

Year Ending June 30,	Refunding Bond issue of May 18, 2016			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	2.48	% \$ 165,000	50,158	975,000	327,990	1,302,990
2021	2.48	170,000	46,004	995,000	304,922	1,299,922
2022	2.48	180,000	41,664	1,015,000	280,633	1,295,633
2023	2.48	180,000	37,200	1,045,000	255,151	1,300,151
2024	2.48	185,000	32,674	1,075,000	228,208	1,303,208
2025-2029	2.48	1,005,000	90,706	5,790,000	686,106	6,476,106
2030	2.48	220,000	2,728	1,950,000	36,510	1,986,510
Total		\$ 2,105,000	301,134	12,845,000	2,119,520	14,964,520

The District has pledged future statewide sales, services and use tax revenue to repay the \$6,550,000, \$7,530,000 and \$2,425,000 bonds issued on June 27, 2012, January 26, 2016 and May 18, 2016 respectively. The bonds were issued for the purpose of defraying a portion of the cost of school

infrastructure and refunding outstanding bonds issues for said purpose. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 72% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$14,964,520. For the current year, \$955,000 of principal and \$349,556 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,807,753.

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

- a) \$493,188 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Loan Notes Payable

On April 10, 2018, the District issued a capital loan note to provide funds for the purchase of construction services. The notes bear interest at 2.45% per annum and are payable from the Capital Projects: Physical Plant & Equipment Levy Fund. Details of the District’s capital notes indebtedness at June 30, 2019 are as follows:

Year Ending June 30,	Capital loan notes of April 10, 2018				
	Interest Rates		Principal	Interest	Total
2020	2.45	% \$	165,000	25,603	190,603
2021	2.45		170,000	21,560	191,560
2022	2.45		170,000	17,395	187,395
2023	2.45		175,000	13,230	188,230
2024	2.45		180,000	8,943	188,943
2025	2.45		185,000	4,533	189,533
			<u>\$ 1,045,000</u>	<u>91,263</u>	<u>1,136,263</u>

Computer Lease Payable

On April 15, 2019, the District entered into a lease agreement with Apple for computers. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Computer lease dated April 15, 2019				
	Interest Rates		Principal	Interest	Total
2020	3.74	% \$	183,520	5,039	188,559
2021	3.74		175,211	13,349	188,560
2022	3.74		181,762	6,797	188,559
			<u>\$ 540,493</u>	<u>25,185</u>	<u>565,678</u>

Termination Benefits

In previous years, the District had offered a voluntary early retirement plan to its full-time employees. Eligible employees must have completed at least ten years of full-time service to the District and have been at least age fifty-five. The application for early retirement was subject to approval by the Board of Education.

The District offered three different early retirement incentives. The first was a cash contribution to a tax-sheltered annuity equal to 100% of their contracted annual salary (exclusive of supplemental pay or extended contract pay), paid in equal installments over the three years following retirement. The second was four years of District contributions to retiree health insurance premiums and a cash contribution to a tax-sheltered annuity equal to 50% of their contracted annual salary (exclusive of supplemental pay or extended contract pay), paid in equal installments over the three years following retirement. The third was seven years of District contributions to retiree health insurance premiums.

At June 30, 2019, the District had outstanding obligations to sixteen participants with a total liability of \$208,498. Actual early retirement expenditures for the year ended June 30, 2019 totaled \$276,782.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	School Nutrition	\$ 3,950
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,374,393
Debt Service	Capital Projects: Physical Plant and Equipment Levy	193,705
		<u>\$ 1,572,048</u>

The Transfer from the School Nutrition Fund to the General Fund was for indirect costs.

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

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

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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 information 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 that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, 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, 2019 were \$1,077,379.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$9,515,901 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the District's proportion was 0.150372%, which was an increase of 0.002045% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,253,207. At June 30, 2019, 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	\$ 52,174	215,075
Changes of assumptions	1,357,502	-
Net difference between projected and actual earnings on IPERS' investments	-	261,467
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	91,261	174,984
District contributions subsequent to the measurement date	1,077,379	-
Total	\$ 2,578,316	651,526

\$1,077,379 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 578,065
2021	307,478
2022	(50,322)
2023	17,107
2024	(2,917)
	\$ 849,411

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 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, 2018 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 2018 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 pension plan

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%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100%	

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's 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	\$ 16,150,396	9,515,901	3,950,545

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, 2019, the District reported payables IPERS of \$135,673 for legally required District contributions and \$90,401 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 302+, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>210</u>
Total	<u><u>225</u></u>

Total OPEB Liability - The District's total OPEB liability of \$979,832 was measured as of June 30, 2019, and was determined by an actuarial valuation utilizing roll-forward procedures.

Actuarial Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2017)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.25% initial rate decreasing by 0.25% annually to an ultimate rate of 5.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.58% 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 valuation date.

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2017 generational projection of future mortality improvement.

The actuarial assumptions used for the June 30, 2019 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,035,056
Changes for the year:	
Service cost	34,821
Interest	36,044
Benefit payments	<u>(126,089)</u>
Net changes	<u>(55,224)</u>
Total OPEB liability end of year	<u><u>\$ 979,832</u></u>

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 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 1,052,382	979,832	914,804

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates 1% lower (5.25%) or 1% higher (7.25%) than the current healthcare cost trend rates.

	1% Decrease (5.25%)	Healthcare Cost Trend Rate (6.25%)	1% Increase (7.25%)
Total OPEB liability	\$ 908,186	979,832	1,061,906

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$63,772. At June 30, 2019, the District reported deferred outflows/inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	226,914
Changes in assumptions	173,007	-
Total	\$ 173,007	226,914

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

Year Ended June 30,	Amount
2020	\$ (7,093)
2021	(7,093)
2022	(7,093)
2023	(7,093)
2024	(7,093)
Thereafter	(18,442)
Total	\$ (53,907)

(8) Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$35,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$294,943 at April 30, 2019, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$79,190 reported in the plan at April 30, 2019, based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Position.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District’s actual amount for this purpose totaled \$748,200 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into various contracts totaling \$612,244 for a maintenance storage building, air supply system and two roof projects. As of June 30, 2019, costs of \$48,029 had been incurred against the contracts. The balance remaining of \$564,215 at June 30, 2019 will be paid as work on the projects progresses.

(11) Tax Abatements

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

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Knoxville	Urban renewal and economic development projects	\$ 173,472

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, 2019, this reimbursement amounted to \$72,617.

(12) 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, 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 District's restricted fund balance for categorical funding at June 30, 2019 is comprised of the following programs:

Program	Amount
Gifted and talented programs	\$ 108,393
Teacher leadership state aid	60,582
Four-year-old preschool state aid	381,208
Health care trust fund	3,439
Professional development	64,140
Total	<u>\$ 617,762</u>

(13) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Management Levy Purposes	Debt Service	Unassigned/ Restricted
Fund Balance (Exhibit C)	\$ -	451,394	1,683,155	2,877,357
Capital assets, net of accumulated depreciation	28,142,058	-	-	-
Revenue bond capitalized indebtedness	(12,845,000)	-	-	-
Capital loan notes capitalized indebtedness	(1,045,000)	-	-	-
Computer lease indebtedness	-	-	-	(540,493)
Income surtax	-	-	-	554,169
Accrued interest payable	-	-	(175,917)	-
Termination benefits payable	-	(208,498)	-	-
Internal Service Fund	-	-	-	656,314
Net pension liability	-	-	-	(9,259,923)
Pension related deferred outflows	-	-	-	2,512,386
Pension related deferred inflows	-	-	-	(634,000)
Total OPEB liability	-	-	-	(947,204)
OPEB related deferred outflows	-	-	-	167,246
OPEB related deferred inflows	-	-	-	(219,358)
Net position (Exhibit A)	<u>\$ 14,252,058</u>	<u>242,896</u>	<u>1,507,238</u>	<u>(4,833,506)</u>

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

REQUIRED SUPPLEMENTARY INFORMATION

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2019

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,357,528	266,546	8,624,074	8,432,270	8,432,270	191,804
State sources	14,985,984	6,013	14,991,997	15,950,039	15,950,039	(958,042)
Federal sources	626,807	602,903	1,229,710	1,047,000	1,047,000	182,710
Total revenues	<u>23,970,319</u>	<u>875,462</u>	<u>24,845,781</u>	<u>25,429,309</u>	<u>25,429,309</u>	<u>(583,528)</u>
Expenditures/Expenses:						
Instruction	14,480,525	-	14,480,525	14,950,000	14,950,000	469,475
Support services	6,172,268	751	6,173,019	6,715,750	6,715,750	542,731
Non-instructional programs	-	840,148	840,148	900,000	900,000	59,852
Other expenditures	3,150,260	-	3,150,260	3,535,815	3,535,815	385,555
Total expenditures/expenses	<u>23,803,053</u>	<u>840,899</u>	<u>24,643,952</u>	<u>26,101,565</u>	<u>26,101,565</u>	<u>1,457,613</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	167,266	34,563	201,829	(672,256)	(672,256)	874,085
Other financing sources(uses), net	<u>560,727</u>	<u>(3,950)</u>	<u>556,777</u>	<u>-</u>	<u>-</u>	<u>(556,777)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses and other financing sources	727,993	30,613	758,606	(672,256)	(672,256)	(1,430,862)
Balances beginning of year	<u>6,620,768</u>	<u>(134,102)</u>	<u>6,486,666</u>	<u>6,662,760</u>	<u>6,662,760</u>	<u>(176,094)</u>
Balances end of year	<u>\$ 7,348,761</u>	<u>(103,489)</u>	<u>7,245,272</u>	<u>5,990,504</u>	<u>5,990,504</u>	<u>1,254,768</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2019

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 comparison for the General Fund and each major Special Revenue Fund.

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

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

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST FIVE YEARS*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.150372%	0.148327%	0.147019%	0.152620%	0.162490%
District's proportionate share of the net pension liability	\$ 9,516	9,880	9,252	7,540	6,444
District's covered-employee payroll	\$ 11,302	11,072	10,551	10,456	10,627
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	84.20%	89.23%	87.69%	72.11%	60.64%
IPERS' net position as a percentage of the total pension liability	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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 1,077	1,009	989	942	934	949	863	807	719	706
Contributions in relation to the statutorily required contribution	\$ (1,077)	(1,009)	(989)	(942)	(934)	(949)	(863)	(807)	(719)	(706)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,413	11,302	11,072	10,551	10,456	10,627	9,954	10,000	10,345	10,617
Contributions as a percentage of covered-employee payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 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 from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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

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

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST TWO YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018
Service cost	\$ 34,821	33,807
Interest cost	36,044	38,217
Differences between expected and actual experiences	-	(286,628)
Changes in assumptions	-	218,535
Benefit payments	(126,089)	(141,350)
Net change in total OPEB liability	(55,224)	(137,419)
Total OPEB liability beginning of year	1,035,056	1,172,475
Total OPEB liability end of year	\$ 979,832	1,035,056
Covered-employee payroll	\$ 9,799,866	9,514,433
Total OPEB liability as a percentage of covered-employee payroll	10.00%	10.88%

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 assumption:

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, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%

KNOXVILLE COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 447,681	204,403	652,084
Receivables:			
Property tax:			
Delinquent	3,729	-	3,729
Succeeding year	275,001	-	275,001
Accounts	-	8,968	8,968
TOTAL ASSETS	\$ 726,411	213,371	939,782
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16	18,204	18,220
Salaries and benefits payable	-	393	393
Total liabilities	16	18,597	18,613
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	275,001	-	275,001
Fund balances:			
Restricted for:			
Management levy purposes	451,394	-	451,394
Student activities	-	194,774	194,774
Total fund balances	451,394	194,774	646,168
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 726,411	213,371	939,782

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 400,682	-	400,682
Other	63,390	417,898	481,288
State sources	7,453	-	7,453
Total revenues	<u>471,525</u>	<u>417,898</u>	<u>889,423</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	319,681	-	319,681
Other	-	453,790	453,790
Support services:			
Administration	101,577	-	101,577
Operation and maintenance of plant	96,581	-	96,581
Total expenditures	<u>517,839</u>	<u>453,790</u>	<u>971,629</u>
Change in fund balances	(46,314)	(35,892)	(82,206)
Fund balances beginning of year	<u>497,708</u>	<u>230,666</u>	<u>728,374</u>
Fund balances end of year	<u>\$ 451,394</u>	<u>194,774</u>	<u>646,168</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 756,765	645,199	1,401,964
Receivables:			
Property tax:			
Delinquent	-	6,440	6,440
Succeeding year	-	737,705	737,705
Accounts	848	211	1,059
Due from other governments	143,568	-	143,568
TOTAL ASSETS	\$ 901,181	1,389,555	2,290,736
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	28,712	28,712
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	737,705	737,705
Fund balances:			
Restricted for:			
School infrastructure	901,181	-	901,181
Physical plant and equipment levy	-	623,138	623,138
Total fund balances	901,181	623,138	1,524,319
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 901,181	1,389,555	2,290,736

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2019

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	718,604	718,604
Other	6,564	138,517	145,081
State sources	1,807,753	13,135	1,820,888
Total revenues	<u>1,814,317</u>	<u>870,256</u>	<u>2,684,573</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	540,493	-	540,493
Support services:			
Instructional staff	-	42,283	42,283
Administration	7,000	45,120	52,120
Transportation	-	28,435	28,435
Other expenditures:			
Capital outlay	271,432	462,629	734,061
Total expenditures	<u>818,925</u>	<u>578,467</u>	<u>1,397,392</u>
Excess of revenues over expenditures	995,392	291,789	1,287,181
Other financing sources(uses):			
Transfer out	(1,374,393)	(193,705)	(1,568,098)
Sale of equipment	-	16,284	16,284
Computer lease proceeds	540,493	-	540,493
Total other financing sources(uses)	<u>(833,900)</u>	<u>(177,421)</u>	<u>(1,011,321)</u>
Change in fund balances	161,492	114,368	275,860
Fund balances beginning of year	<u>739,689</u>	<u>508,770</u>	<u>1,248,459</u>
Fund balances end of year	<u>\$ 901,181</u>	<u>623,138</u>	<u>1,524,319</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2019

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>Academic Clubs:</u>					
Knoxville Band	\$ 8,333	3,538	4,773	623	7,721
HS Camera Club	7,178	3,065	5,466	-	4,777
HS Drama Club	15,962	10,041	6,886	-	19,117
HS Science Club	2,622	12,557	10,593	(170)	4,416
HS GSA Club	-	-	-	170	170
HS Vocal	636	95,385	91,187	-	4,834
Shooting Club	-	563	-	623	1,186
	34,731	125,149	118,905	1,246	42,221
<u>Athletic Support:</u>					
Baseball Club	1,180	24,486	17,828	(2,483)	5,355
General Athletics	57,129	72,951	22,901	(78,969)	28,210
Girls Softball Club	3,421	4,709	7,178	(952)	-
Boys Basketball Club	47	-	195	148	-
Football Club	15,439	13,700	26,001	-	3,138
Boys Soccer Club	587	-	1,936	1,349	-
Girls Basketball Club	3,006	43,424	43,694	1,000	3,736
Girls Track Club	2,287	1,693	29	-	3,951
Girls Soccer Club	3,877	1,480	4,789	-	568
Wrestling Club	114	100	1,381	1,167	-
Volleyball Club	5,208	1,279	3,510	-	2,977
Bowling Club	3,218	1,097	1,406	(28)	2,881
Girls Golf Club	140	1,785	1,717	-	208
Boys Golf Club	-	1,090	904	-	186
Boys Track Club	1,286	1,930	542	-	2,674
Girls Tennis Club	401	-	35	-	366
Cross Country Club	8,552	2,874	1,093	(153)	10,180
	105,892	172,598	135,139	(78,921)	64,430
<u>Boys Athletics:</u>					
Baseball	-	4,035	8,548	4,513	-
Boys Basketball	-	-	8,922	8,922	-
Boys Cross Country	-	390	1,401	1,011	-
Boys Golf	-	950	2,918	1,968	-
Boys Soccer	-	240	5,793	5,553	-
Boys Tennis	78	595	629	779	823
Boys Track	-	910	7,412	6,502	-
Football	-	-	13,878	13,878	-
Wrestling	-	1,752	5,075	3,323	-
	78	8,872	54,576	46,449	823
<u>Classes:</u>					
KHS Senior Class	-	-	408	408	-
KHS Junior Class	11,142	10,691	5,446	(408)	15,979
	11,142	10,691	5,854	-	15,979

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<u>General Athletics:</u>					
Cheerleading	3,969	8,265	12,475	623	382
Drill Team	7,784	11,272	11,425	1,246	8,877
	11,753	19,537	23,900	1,869	9,259
<u>Girls Athletics:</u>					
Girls Basketball	-	-	8,814	8,814	-
Girls Cross Country	-	390	1,401	1,011	-
Girls Golf	-	510	2,613	2,103	-
Girls Soccer	-	-	4,752	4,752	-
Girls Tennis	-	337	1,061	779	55
Girls Track	-	340	2,638	2,298	-
Softball	-	3,873	6,831	2,958	-
Volleyball	-	565	5,814	5,249	-
Bowling	-	-	806	806	-
	-	6,015	34,730	28,770	55
<u>Northstar Elementary Activities:</u>					
Northstar Activity	18,640	5,918	3,495	-	21,063
<u>Other Activities:</u>					
Activity Interest	-	1,210	307	(903)	-
KCSD Strength & Conditioning	-	857	1,444	587	-
Middle School Activity	5,059	14,635	11,419	-	8,275
High School Activity	4,214	22,894	22,993	-	4,115
District Student Activity	13,324	1,000	11,735	903	3,492
HS Yearbook	911	3,430	2,902	-	1,439
National Honor Society	980	446	385	-	1,041
Spanish Club	-	1,136	1,134	-	2
Student Senate	10,514	3,760	4,341	(1,500)	8,433
Student Wellness	1,172	500	702	-	970
	36,174	49,868	57,362	(913)	27,767
<u>Vocational Clubs:</u>					
FCCLA Account	2,545	-	616	-	1,929
FFA Account	7,683	15,281	15,378	1,500	9,086
	10,228	15,281	15,994	1,500	11,015
<u>West Elementary Activities:</u>					
West Activity	2,028	3,969	3,835	-	2,162
Total	\$ 230,666	417,898	453,790	-	194,774

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND SCHOLARSHIP ACCOUNTS
 JUNE 30, 2019

	Private Purpose Trust - Scholarship Accounts			
	Tunnie Memorial	Norton Scholarship	Auditorium Project	Total
ASSETS:				
Cash and pooled investments	\$ 584	65	5,423	6,072
LIABILITIES	-	-	-	-
NET POSITION:				
Held in trust for scholarships	\$ 584	65	5,423	6,072

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2019

	Private Purpose Trust - Scholarship Accounts			
	Tunnie Memorial	Norton Scholarship	Auditorium Project	Total
ADDITIONS	\$ -	-	-	-
DEDUCTIONS	-	-	-	-
Change in net position	-	-	-	-
Net position beginning of year	584	65	5,423	6,072
Net position end of year	\$ 584	65	5,423	6,072

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2019

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>KCSD EMPLOYEE FLEX SPENDING</u>				
ASSETS				
Cash and pooled investments	\$ 1,661	80,231	80,435	1,457
LIABILITIES				
Due to other groups	\$ 1,661	80,231	80,435	1,457

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2019

	Governmental Activities: Internal Service Funds		
	Health Insurance	Dental Insurance	Total
ASSETS:			
Cash and pooled investments	\$ 546,679	211,747	758,426
LIABILITIES:			
Accounts payable	22,922	-	22,922
Incurred but not reported claims	79,190	-	79,190
TOTAL LIABILITIES	102,112	-	102,112
NET POSITION:			
Unrestricted	\$ 444,567	211,747	656,314

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2019

	Governmental Activities:		
	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,402,393	170,220	2,572,613
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	2,124,967	144,124	2,269,091
Operating income	277,426	26,096	303,522
Net position beginning of year	167,141	185,651	352,792
Net position end of year	\$ 444,567	211,747	656,314

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
INTERNAL SERVICE FUNDS
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	Governmental Activities:		
	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,402,393	170,220	2,572,613
Cash payments to suppliers for services	(1,828,844)	(144,124)	(1,972,968)
Net cash provided by operating activities	<u>573,549</u>	<u>26,096</u>	<u>599,645</u>
Cash flows from non-capital financing activities:			
Repayments to the General Fund	(119,546)	-	(119,546)
Net increase in cash and pooled investments	454,003	26,096	480,099
Cash and pooled investments at beginning of year	92,676	185,651	278,327
Cash and pooled investments at end of year	<u>\$ 546,679</u>	<u>211,747</u>	<u>758,426</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 277,426	26,096	303,522
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in accounts payable	99,702	-	99,702
Increase in incurred but not reported claims	196,421	-	196,421
Net cash provided by operating activities	<u>\$ 573,549</u>	<u>26,096</u>	<u>599,645</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 6,869,438	7,009,055	6,976,570	6,546,147	6,233,495	6,012,456	7,839,881	8,003,647	7,437,632	6,974,671
Tuition	506,952	415,905	440,060	398,876	387,580	463,945	471,837	425,964	401,044	412,384
Other	981,138	725,406	909,436	1,111,970	889,249	928,765	917,502	838,720	1,127,701	817,801
State sources	14,985,984	14,065,571	14,327,751	13,880,960	13,459,768	13,320,846	11,805,939	11,595,516	11,277,768	9,422,841
Federal sources	626,807	536,833	567,322	542,424	520,024	555,610	539,245	865,647	942,998	1,563,222
Total	\$ 23,970,319	22,752,770	23,221,139	22,480,377	21,490,116	21,281,622	21,574,404	21,729,494	21,187,143	19,190,919
Expenditures:										
Instruction:										
Regular	\$ 8,845,897	8,219,956	8,664,481	8,271,561	8,851,692	8,013,542	7,625,345	7,569,159	7,570,307	7,723,702
Special	2,803,383	2,674,612	2,404,475	2,601,995	2,584,678	2,630,761	2,534,657	2,331,981	2,160,310	2,163,846
Other	2,831,245	2,769,822	2,877,872	2,834,515	2,996,976	2,649,923	2,572,059	2,622,649	2,473,256	2,416,091
Support services:										
Student	364,591	315,189	242,713	376,523	415,557	421,716	316,029	323,044	316,474	358,266
Instructional staff	904,019	885,956	914,958	400,907	607,582	345,592	357,123	327,500	1,647,901	319,171
Administration	2,561,854	2,479,857	2,363,119	2,306,678	2,127,248	2,035,600	1,928,285	1,886,323	2,256,071	1,934,984
Operation and maintenance of plant	1,706,546	1,678,445	1,687,634	1,758,005	1,816,579	1,876,391	1,748,813	1,635,693	1,610,774	1,655,546
Transportation	635,258	852,922	545,500	829,082	705,681	789,194	748,179	757,547	581,519	609,703
Capital outlay	734,061	1,264,232	4,025,326	4,121,762	834,874	1,424,851	6,053,814	1,668,885	1,075,786	548,370
Long-term debt:										
Principal	1,279,475	1,260,704	1,167,123	809,228	687,592	722,131	1,151,930	3,817,002	1,365,000	1,295,000
Interest and fiscal charges	388,524	379,222	364,222	285,577	248,148	268,525	231,505	169,736	138,822	246,516
Other expenditures:										
AEA flow-through	748,200	727,290	713,544	727,867	711,880	704,814	686,596	687,382	760,660	734,903
Total	\$ 23,803,053	23,508,207	25,970,967	25,323,700	22,588,487	21,883,040	25,954,335	23,796,901	21,956,880	20,006,098

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

GRANTOR/PROGRAM	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 19	\$ 91,576
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 19	490,280 *
			<u>581,856</u>
TEAM NUTRITION GRANT	10.574	FY 19	<u>4,450</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 19	<u>16,597</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 19	<u>284,571</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 19	<u>18,441</u>
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	FY 19	<u>55,818</u>
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424	FY 19	<u>24,297</u>
HEARTLAND AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 19	<u>83,514</u>
TOTAL			<u>\$ 1,069,544</u>

*- Includes \$68,093 of non-cash awards.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Knoxville Community School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, 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 Knoxville Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Knoxville Community School District.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - Knoxville Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Knoxville Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Knoxville Community School District as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Knoxville Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knoxville Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Knoxville Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2019 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.

Knoxville Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2020
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Education of Knoxville Community School District:

Report on Compliance for Each Major Federal Program

We have audited Knoxville Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. Knoxville Community School District's major federal programs are identified in Part I 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 Knoxville 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, 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 non-compliance 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 Knoxville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 Knoxville Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Knoxville 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, 2019.

Report on Internal Control Over Compliance

Management of Knoxville 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 Knoxville 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 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 Knoxville 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility 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 in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2020
Newton, Iowa

KNOXVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) Major program was as follows:
 - Child Nutrition Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Knoxville Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-19 Certified Budget - Expenditures for the year ended June 30, 2019 did not exceed the certified budgeted amounts.
- IV-B-19 Questionable Disbursements - We noted instances of the District being subjected to sales tax on purchases made with a District P-Card. As the District is a tax-exempt entity, payment of sales tax does not appear to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review its procedures in place and make any necessary adjustments to ensure the District avoids payment of sales tax to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District business office will continue to work closely with all staff that use a District P-Card to ensure they are following the District P-Card policy and procedures that do not allow purchases that require sales tax to be charged.

Conclusion - Response accepted.

IV-C-19 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-19 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-19 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.

IV-F-19 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted an instance when the board minutes were not furnished to the District's official paper for publication within two weeks following the adjournment of the meeting as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should furnish a copy of the Board proceedings to be published within two weeks of each meeting and retain appropriate documentation to support compliance with Chapter 279.35 of the Code of Iowa.

Response - The District will ensure that all school board meeting minutes are sent to the District's official paper for publication within two weeks following the adjournment of the meeting.

Conclusion - Response accepted.

IV-G-19 Certified Enrollment - The basic enrollment data certified to the Iowa Department of Education was overstated by 3.00 students for the fall 2018 count.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Iowa Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-19 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was understated by 0.044 for the fall 2018 count.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Iowa Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

- IV-I-19 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-19 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-19 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-19 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2019, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 739,689
Revenues:		
Sales tax revenues	\$ 1,807,753	
Sale of long-term debt	540,493	
Other local revenues	6,564	2,354,810
	<u> </u>	<u>3,094,499</u>
Expenditures/transfers out:		
School infrastructure construction	251,750	
Equipment	556,534	
Other	10,641	
Transfers to other funds:		
Debt service fund	1,374,393	2,193,318
	<u> </u>	<u> </u>
Ending balance		<u>\$ 901,181</u>

For the year ended June 30, 2019, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-19 Negative Lunch Account Balances - It was noted during the audit that the School Nutrition Fund is carrying several significant negative student lunch account balances. It was noted some of the deficit amounts appear to be excessive in amount.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. District policies and procedures should be designed to discourage deficit accounts from becoming excessive. The District should investigate various collection techniques to collect the balances owed for lunches served.

Response -. The District approved a new nutrition policy at the beginning of the 2017 school year in which the students are limited to a negative balance of \$40. The District is currently working with the Credit Bureau of Iowa to help collect on any carryover negative lunch account balances. The District is also collecting on negative balances as students graduate.

Conclusion - Response accepted.

IV-N-19 Outstanding Checks - We noted during our audit that the District has 83 checks in the General Fund and Student Activity Fund bank reconciliations which have been outstanding for over three years.

Recommendation - The District should investigate the outstanding checks to determine if they need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will investigate all outstanding checks to determine if they should be voided, reissued or submitted to the State Treasurer as unclaimed property. The majority of these outstanding checks are insignificant balances from student meal accounts refunded after a student graduates.

Conclusion - Response accepted.