

**IRON COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**IRON COUNTY SCHOOL DISTRICT**  
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**FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Board of Education  
Iron County School District  
Cedar City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Iron County School District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to pensions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iron County School District's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of Iron County 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 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 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 Iron County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC  
St. George, Utah  
November 30, 2017

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## Management's Discussion and Analysis

This section of Iron County School District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2017. This report is in conjunction with the District's financial statements.

### Financial Highlights

- The District's assets (net of depreciation) plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$77,659,815 at the close of the most recent fiscal year.
- During the year, expenses were \$5.3 million more than the \$82.5 million generated in taxes and other revenues for governmental activities.
- The revenues met or exceeded the adopted budgeted amounts, and the expenditures were less than the adopted budgeted amounts.
- Property tax revenues increased when compared to last year as a result of increases in taxable value, a higher collection rate, increases in tax sales and redemptions, and the receipt of additional motor vehicle fees. The District's overall tax rate declined due to increased assessed value and a reduction in debt service requirements. The District stayed within the certified tax rate as determined by the County Auditor.
- At the close of the current year, the District governmental funds reported combined ending fund balances of \$35.1 million as compared with \$43.9 million at the end of last year.
- The District's total long-term debt decreased by \$4.4 million during the current year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Refer to the table of contents for the location of the government-wide financial statements.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, each of which is considered to be a major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements. Refer to the table of contents for the location of the notes to the financial statements.

**Other information.** The combining fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Refer to the table of contents for the location of combining fund statements.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$77,659,815 at the close of the most recent fiscal year.

### IRON COUNTY SCHOOL DISTRICT'S Net position

	6/30/2017	6/30/2016	Change
Current and other assets	\$ 68,203,409	\$ 71,684,631	\$ (3,481,222)
Capital assets	102,285,155	92,840,199	9,444,956
Total assets	<u>170,488,564</u>	<u>164,524,830</u>	<u>5,963,734</u>
Total deferred outflows of resources	<u>13,865,966</u>	<u>12,553,213</u>	<u>1,312,753</u>
Current and other liabilities	9,521,772	7,325,052	2,196,720
Long-term liabilities outstanding	69,505,236	73,900,941	(4,395,705)
Total liabilities	<u>79,027,008</u>	<u>81,225,993</u>	<u>(2,198,985)</u>
Total deferred inflows of resources	<u>27,667,707</u>	<u>23,460,066</u>	<u>4,207,641</u>
Net position:			
Net investment in capital assets	70,611,163	65,335,594	5,275,569
Restricted	13,956,640	12,572,040	1,384,600
Unrestricted	<u>(6,907,988)</u>	<u>(5,515,650)</u>	<u>(1,392,338)</u>
Total net position	<u><u>\$ 77,659,815</u></u>	<u><u>\$ 72,391,984</u></u>	<u><u>\$ 5,267,831</u></u>

- 91% of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- A portion of the District's net position (18%) represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of unrestricted net position (-9%) may be used to meet the District's obligations to students, employees, and creditors, and to honor next year's budget. This negative percentage is a reflection of GASB 68, which has required changes in pension reporting for the District.

At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net position.

The District's net position increased by \$5,267,831 during the current year. The following analysis on governmental activities focuses on this increase.

**IRON COUNTY SCHOOL DISTRICT'S Changes in Net position**

	Governmental Activities		
	6/30/2017	6/30/2016	Change
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 3,517,882	\$ 3,433,414	\$ 84,468
Operating grants and contributions	24,100,511	22,622,186	1,478,325
Capital grants and contributions	-	-	-
General revenues:			
Taxes	28,095,215	27,162,249	932,966
Federal and state aid not restricted to a specific purpose	25,461,585	24,884,063	577,522
Unrestricted investment earnings	507,727	325,630	182,097
Other	780,349	746,694	33,655
<b>Total revenues</b>	<b>82,463,269</b>	<b>79,174,236</b>	<b>3,289,033</b>
<b>Expenses</b>			
Instructional services	52,325,612	48,535,342	3,790,270
Supporting services:			
Students	2,788,825	1,941,602	847,223
Instructional staff	1,991,108	1,486,135	504,973
District administration	747,620	494,199	253,421
School administration	4,092,650	3,602,393	490,257
Central services	1,478,240	1,641,270	(163,030)
Operation and maintenance	6,380,301	6,061,329	318,972
Transportation	2,928,593	2,663,951	264,642
Other	-	25,817	(25,817)
Community Services	48,596	33,258	15,338
School food services	3,551,006	3,399,677	151,329
Interest and fiscal charges	862,887	1,095,111	(232,224)
<b>Total expenses</b>	<b>77,195,438</b>	<b>70,980,084</b>	<b>6,215,354</b>
<b>Increase in net position</b>	<b>5,267,831</b>	<b>8,194,152</b>	<b>(2,926,321)</b>
Net position, beginning	72,391,984	64,197,832	8,194,152
<b>Net position, ending</b>	<b>\$ 77,659,815</b>	<b>\$ 72,391,984</b>	<b>\$ 5,267,831</b>

**Financial Analysis of the District's Funds**

**Governmental funds.** Governmental funds report the differences between their assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as fund balance, which is divided into restricted and unrestricted portions. Restrictions indicate the portion of the District's fund balances that are not available for appropriation. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. Committed and assigned balances reflect the District's self-imposed limitation on the use of otherwise available expendable

financial resources in governmental funds. Unassigned balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$19.7 million fund balance of the general fund is primarily designated for the following purposes:

- *Restricted.* The District has designated a portion of the general fund's balance for state categorical programs (\$2.2 million) with fund balances at the end of this fiscal year that must be appropriated in the next fiscal year.
- *Committed.* \$2.4 million or 4.0% of general fund budgeted expenditures. As allowed by state law, the District has established an undistributed reserve within the general fund; this amount is set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in establishing the District's bond rating.
- *Assigned.* The District has designated a portion of the general fund's balance for special instructional projects (\$7.5 million) supporting the education process of the students and staff, including such things as technology, professional development, curriculum alignment, and additional textbooks and supplies.

### **General Fund Budgetary Highlights**

During the year, the Board revised the District's budget. Budget amendments were made to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$644,001 or 1.09% in total general fund expenditures. The most significant differences may be summarized as follows:

- \$1.6 million decrease in instructional services, to reflect personnel adjustments, adjustments in contracted services, and adjustments for purchasing instructional supplies and equipment.
- \$150 thousand decrease in supporting services-transportation, to reflect personnel adjustments for salaries and benefits, adjustments in fuel costs, and decreases in contracted services.
- \$108 thousand decrease in supporting services-central services, to reflect personnel adjustments, adjustments in contracted services, and adjustments to technology related support.
- \$82 thousand decrease in supporting services-school administration, to reflect personnel adjustments, benefit adjustments, and adjustments in contracted services.

During the year, final budgeted revenues were less than original budgetary estimates by \$770 thousand to account for changes in local revenue and federal and state aid.

Even with these adjustments, actual expenditures were \$735,535 below final budgeted amounts. The most significant positive variances were \$481 thousand in instructional services, \$53 thousand in supporting services-instructional staff, \$51 thousand in supporting services-operation and maintenance of facilities, and \$75 thousand in supporting services-transportation. On the other hand, resources available for appropriation were \$395 thousand above the final budgeted amount. Variances primarily result from expenditure-driven federal and state grants that are included in the budget. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget.

**Capital Asset and Debt Administration**

**Capital Assets.** The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2017 are outlined below:

**IRON COUNTY SCHOOL DISTRICT**  
**Capital Assets**  
(net of accumulated depreciation)

	Governmental Activities		
	6/30/2017	6/30/2016	Change
Land	\$ 8,244,594	\$ 8,064,424	\$ 180,170
Construction in progress	13,467,919	2,373,014	11,094,905
Buildings and improvements	76,863,302	79,251,444	(2,388,142)
Furniture, equipment and vehicles	3,709,340	3,151,317	558,023
 Total capital assets, net	 \$ 102,285,155	 \$ 92,840,199	 \$ 9,444,956

Additional information on the District’s capital assets can be found in the notes to the basic financial statements.

**Debt Administration.** At the end of the current year, the District had total bonded debt outstanding of \$34.3 million. The entire debt is general obligation debt.

**IRON SCHOOL DISTRICT**  
**Outstanding Debt**  
(in millions of dollars)

	Governmental Activities		
	06/30/2017	06/30/2016	Change
General Obligation Bonds	\$34.3	\$39.7	\$(5.4)

The general obligation bonded debt of the District is limited by state law to four percent of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2017 is \$187,242,274. General obligation debt at June 30, 2017 is \$34,338,000, resulting in a legal debt margin of \$152,904,274.

Although it is not unusual at the national level to have a 30-year bond payoff schedule, the district maintains an aggressive schedule paying off debt by January 2024.

Additional information on the District’s long-term debt can be found in the notes to the basic financial statements.

## **Changing Enrollment within the District**

The District had a flat enrollment growth from 2008 to 2013. The last four years the growth has improved again and has been steady at 1.0-1.5%. This growth is made up of two components. The components are in-migration of students and the kindergarten to grade twelve (K-12) differential. The K-12 differential is the size of the grade twelve leaving, and the size of the kindergarten grade entering the District in a given year. District growth occurs when the number of kindergarten students entering the system exceeds the grade twelve students leaving the system in a given fiscal year.

The current comparison of grade twelve to the projected incoming kindergarten for the next few years indicates a growth of approximately 75-100 students per year. The District continues to see some in-migration due to its proximity to Southern Nevada and Southern California. There is a general trend of people leaving those areas and re-locating in our District but this has slowed somewhat in the past few years. Current in-migration and birth rates had leveled off but are beginning to increase again. New construction has increased in the District with a healthy mix of commercial construction and new home construction. Our county has been identified as one of the best places for solar energy farms and we have had several new farms constructed. There are several more solar farms already approved for construction and others in the planning stages for the coming year. The LDS Church has completed its construction of a new Temple in Cedar City and this continues to generate much excitement. The economic development office for the County has indicated that interest in the area continues to increase and anticipates more businesses will be locating here. This will obviously generate new student growth and we are incorporating that data into our five and ten year student enrollment projections.

The District has completed its major construction project of a new elementary school. Our ten-year facilities and construction plan has been completed and we will continue to update it as necessary. We feel the District will be able to handle anticipated growth for the next several years. However, should we have an unexpected growth spurt, we will be prepared to seek additional bonding to accommodate our needs. We will implement some boundary adjustments to take full advantage of our school facilities before seeking to bond for additional facilities. The District continues to implement some minor elementary school boundary modifications to provide maximum use of our current elementary schools. Our ten-year plan addresses all buildings. Our Board specifically wants to address safety concerns in all District buildings. This may require some remodeling, which the Board will try to address within our Capital Facilities Budget on a year-to-year basis and only seek bonding approval when it might be absolutely necessary.

There are two charter schools operating within the District boundaries. Gateway Academy for kindergarten through eighth grades has been operating for ten years. SUCCESS Academy for ninth through twelfth grades has been operating for eleven years. SUCCESS Academy is the only charter school in Utah chartered by a local Board of Education. This school works in cooperation with our District and with Southern Utah University in educating students. Students are on the University campus for some or all of their classes but can also return to their boundary high schools in the District to participate in music, art, elective classes, and extracurricular activities. When students complete their four years of secondary school, over 90% graduate with both a high school diploma and an Associate Degree from Southern Utah University. SUCCESS Academy focuses on computer technology, engineering, science, and math curriculum. Having these two charter schools within our District boundaries has been beneficial because it has delayed our need to bond and build additional school facilities.

### **Requests for Information**

This financial report is designed to provide a general overview of the Iron County School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Iron County School District, 2077 West Royal Hunte Drive, Cedar City, UT 84720.

## **BASIC FINANCIAL STATEMENTS**

**IRON COUNTY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 41,206,910
Receivables	
Local property taxes	23,933,352
Other local	191,936
State of Utah	806,044
Federal government	1,694,231
Inventories	370,936
Capital assets:	
Land and construction in progress	21,712,513
Other capital assets, net of accumulated depreciation	80,572,642
Total assets	170,488,564
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	12,806,765
Deferred charge on bond refunding	1,059,201
Total deferred outflows of resources	13,865,966
<b>Liabilities</b>	
Accounts payable	2,425,054
Accrued salaries, benefits and withholdings	7,027,197
Unearned revenue	69,521
Noncurrent liabilities:	
Due within one year	7,900,640
Due in more than one year	61,604,596
Total liabilities	79,027,008
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	4,041,455
Property taxes levied for future year	23,626,252
Total deferred inflows of resources	27,667,707
<b>Net position</b>	
Net investment in capital assets	70,611,163
Restricted for:	
Community service programs	133,637
Special transportation	2,551
State and federal programs	2,035,323
Debt service	4,837,684
Capital projects	5,639,452
Non K-12 programs	20,990
Food services	1,287,003
Unrestricted	(6,907,988)
Total net position	\$ 77,659,815

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total
					Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 52,325,612	\$ 2,672,837	\$ 19,492,276	\$ -	\$ (30,160,499)
Supporting services:					
Students	2,788,825	-	15,861	-	(2,772,964)
Instructional staff	1,991,108	-	-	-	(1,991,108)
District administration	747,620	-	-	-	(747,620)
School administration	4,092,650	-	-	-	(4,092,650)
Central services	1,478,240	-	-	-	(1,478,240)
Operation and maintenance of facilities	6,380,301	-	-	-	(6,380,301)
Transportation	2,928,593	-	1,479,735	-	(1,448,858)
Community Services	48,596	47,555	-	-	(1,041)
School food services	3,551,006	797,490	3,112,639	-	359,123
Interest and fiscal charges	862,887	-	-	-	(862,887)
	<u>\$ 77,195,438</u>	<u>\$ 3,517,882</u>	<u>\$ 24,100,511</u>	<u>\$ -</u>	<u>(49,577,045)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes and other					17,169,174
Debt service					7,072,581
Capital outlay					3,853,460
Federal and state aid not restricted to specific purposes					25,461,585
Earnings on investments					507,727
Miscellaneous					764,558
Gain on sale of capital assets					15,791
Total general revenues					<u>54,844,876</u>
Change in net position					5,267,831
<b>Net position - beginning</b>					<u>72,391,984</u>
<b>Net position - ending</b>					<u>\$ 77,659,815</u>

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 24,161,444	\$ 4,750,117	\$ 9,913,544	\$ 2,381,805	\$ 41,206,910
Receivables					
Local property taxes	13,007,585	6,960,851	3,762,575	202,341	23,933,352
Other local	114,924	-	71,819	5,193	191,936
State of Utah	540,723	-	-	265,321	806,044
Federal government	1,559,875	-	-	134,356	1,694,231
Inventories	255,545	-	-	115,391	370,936
Total assets	<u>\$ 39,640,096</u>	<u>\$ 11,710,968</u>	<u>\$ 13,747,938</u>	<u>\$ 3,104,407</u>	<u>\$ 68,203,409</u>
<b>Liabilities</b>					
Accounts payable	\$ 160,782	\$ -	\$ 2,261,814	\$ 2,458	\$ 2,425,054
Accrued salaries, benefits and withholdings	6,931,576	-	3,778	91,843	7,027,197
Unearned revenue	-	-	-	69,521	69,521
Total liabilities	<u>7,092,358</u>	<u>-</u>	<u>2,265,592</u>	<u>163,822</u>	<u>9,521,772</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	12,835,338	6,873,284	3,715,289	202,341	23,626,252
Total deferred inflows of resources	<u>12,835,338</u>	<u>6,873,284</u>	<u>3,715,289</u>	<u>202,341</u>	<u>23,626,252</u>
<b>Fund balances</b>					
Nonspendable:					
Inventories	255,545	-	-	115,391	370,936
Restricted for:					
Community service programs	133,637	-	-	-	133,637
Special transportation	2,551	-	-	-	2,551
State and federal programs	2,035,323	-	-	-	2,035,323
Debt service	-	4,837,684	-	-	4,837,684
Capital projects	-	-	7,767,057	-	7,767,057
Non K-12 programs	-	-	-	20,990	20,990
Food services	-	-	-	1,287,003	1,287,003
Committed	2,400,000	-	-	851,804	3,251,804
Assigned	7,532,520	-	-	463,056	7,995,576
Unassigned	7,352,824	-	-	-	7,352,824
Total fund balances	<u>19,712,400</u>	<u>4,837,684</u>	<u>7,767,057</u>	<u>2,738,244</u>	<u>35,055,385</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 39,640,096</u>	<u>\$ 11,710,968</u>	<u>\$ 13,747,938</u>	<u>\$ 3,104,407</u>	<u>\$ 68,203,409</u>

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2017**

Amounts reported for governmental activities in the statement of net position are different because:

**Total fund balances for governmental funds** \$ 35,055,385

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 158,480,432	
Accumulated depreciation	<u>(56,195,277)</u>	102,285,155

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows	\$ 12,806,765	
Deferred inflows	<u>(4,041,455)</u>	8,765,310

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (34,338,000)	
Deferred amounts		
Issuance premium	(6,906)	
Deferred charge on refunding	1,059,201	
Capital lease payable	(515,892)	
Net pension liability	(31,590,942)	
Compensated absences	(169,816)	
Early retirement payable	<u>(2,883,680)</u>	<u>(68,446,035)</u>

**Net position of governmental activities** \$ 77,659,815

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 14,036,931	\$ 7,072,581	\$ 3,853,460	\$ 3,132,243	\$ 28,095,215
Student fees	-	-	-	1,422,150	1,422,150
Vending and concessions	-	-	-	59,618	59,618
Fundraisers and donations	-	-	-	326,241	326,241
Earnings on investments	261,930	61,896	177,910	5,991	507,727
Other local sources	912,222	-	373,361	1,414,835	2,700,418
State aid	40,696,542	-	138,109	1,635,083	42,469,734
Federal aid	4,196,974	-	-	2,669,401	6,866,375
Total revenues	<u>60,104,599</u>	<u>7,134,477</u>	<u>4,542,840</u>	<u>10,665,562</u>	<u>82,447,478</u>
<b>Expenditures</b>					
Current:					
Instructional services	39,855,208	-	-	6,396,966	46,252,174
Supporting services:					
Students	2,629,821	-	-	201,645	2,831,466
Instructional staff	1,988,411	-	-	5,038	1,993,449
District administration	688,370	-	-	4,250	692,620
School administration	3,787,584	-	-	14,668	3,802,252
Central services	1,344,345	5,268	-	9,457	1,359,070
Operation and maintenance	6,146,099	-	343	40,150	6,186,592
Transportation	2,469,863	-	-	59,829	2,529,692
Community services	48,233	-	-	-	48,233
School food services	-	-	-	3,565,954	3,565,954
Capital outlay	-	-	15,485,025	-	15,485,025
Debt service:					
Principal retirement	-	5,633,000	250,349	-	5,883,349
Interest and fiscal charges	-	675,772	17,288	-	693,060
Bond issuance costs	-	51,805	-	-	51,805
Total expenditures	<u>58,957,934</u>	<u>6,365,845</u>	<u>15,753,005</u>	<u>10,297,957</u>	<u>91,374,741</u>
Excess of revenues over (under) expenditures	<u>1,146,665</u>	<u>768,632</u>	<u>(11,210,165)</u>	<u>367,605</u>	<u>(8,927,263)</u>
<b>Other financing sources (uses)</b>					
Refunding bonds issued	-	5,033,000	-	-	5,033,000
Payment to refunded bond escrow agent	-	(4,981,195)	-	-	(4,981,195)
Sale of capital assets	-	-	15,791	-	15,791
Total other financing sources (uses)	<u>-</u>	<u>51,805</u>	<u>15,791</u>	<u>-</u>	<u>67,596</u>
Net change in fund balances	1,146,665	820,437	(11,194,374)	367,605	(8,859,667)
<b>Fund balances - beginning</b>	<u>18,565,735</u>	<u>4,017,247</u>	<u>18,961,431</u>	<u>2,370,639</u>	<u>43,915,052</u>
<b>Fund balances - ending</b>	<u>\$ 19,712,400</u>	<u>\$ 4,837,684</u>	<u>\$ 7,767,057</u>	<u>\$ 2,738,244</u>	<u>\$ 35,055,385</u>

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To The Statement of Activities**  
**For the Year Ended June 30, 2017**

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

**Net change in fund balances-total governmental funds** \$ (8,859,667)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 13,452,994	
Depreciation expense	<u>(4,008,038)</u>	9,444,956

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of general obligation bonds	\$ (5,033,000)	
Payments to refunded escrow agent	4,981,195	
Principal repayments	<u>5,883,349</u>	5,831,544

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 governmental funds. The details of this difference are as follows:

Amortization of premiums	\$ 16,061	
Amortization of deferred charge	(185,888)	
Compensated absences	(3,862)	
Early retirement costs	<u>(565,741)</u>	(739,430)

Pension contributions are reported as expenditures in the governmental funds when made.

However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured a year before the government's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension expense	\$ (7,205,751)	
Pension contributions	<u>6,796,179</u>	(409,572)

**Change in net position of governmental activities** \$ 5,267,831

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 13,385,990	\$ 13,864,685	\$ 14,036,931	\$ 172,246
Earnings on investments	130,000	236,606	261,930	25,324
Other local sources	825,000	668,727	912,222	243,495
State aid	41,853,513	40,865,320	40,696,542	(168,778)
Federal aid	4,285,253	4,074,585	4,196,974	122,389
Total revenues	<u>60,479,756</u>	<u>59,709,923</u>	<u>60,104,599</u>	<u>394,676</u>
<b>Expenditures</b>				
Current:				
Instructional services	41,938,542	40,335,912	39,855,208	480,704
Supporting services:				
Students	2,017,243	2,652,115	2,629,821	22,294
Instructional staff	1,503,483	2,041,018	1,988,411	52,607
District administration	508,885	648,843	688,370	(39,527)
School administration	3,905,204	3,823,684	3,787,584	36,100
Central services	1,500,426	1,392,467	1,344,345	48,122
Operation and maintenance of facilities	6,159,496	6,196,885	6,146,099	50,786
Transportation	2,694,566	2,544,513	2,469,863	74,650
Other	69,600	-	-	-
Community services	40,025	58,032	48,233	9,799
Total expenditures	<u>60,337,470</u>	<u>59,693,469</u>	<u>58,957,934</u>	<u>735,535</u>
Excess (deficiency) of revenues over (under) expenditures	142,286	16,454	1,146,665	1,130,211
<b>Fund balances - beginning</b>	<u>18,565,735</u>	<u>18,565,735</u>	<u>18,565,735</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 18,708,021</u>	<u>\$ 18,582,189</u>	<u>\$ 19,712,400</u>	<u>\$ 1,130,211</u>

The accompanying notes are an integral part of the financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The Board establishes District policies, approves the budget, appoints a Superintendent with responsibilities for administering all educational activities of the District, and appoints a Business Administrator with responsibilities for fiscal matters. The Board is authorized to issue bonds, incur short-term debt, levy property taxes, and is not dependent on any other unit of local government. The District is not a component unit of any other primary government.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. As to the District, there are no component units which are included to form the reporting entity.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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The District reports the following major governmental funds:

The **General Fund** is used to account for all financial resources applicable to the general operations of the District that are not accounted for in other funds.

The **Debt Service Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest.

The **Capital Projects Fund** is used to account for resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of furniture, equipment and vehicles necessary for providing educational programs for all students within the District.

The District's **non-major governmental funds** account for specific revenue sources that are legally restricted to expenditures for specific purposes. Non-major funds are the Student Activities Fund, Non K-12 Programs Fund, Tax Increment Fund, and Food Services Fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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The 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Deposits and Investments***

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF). All investments are carried at fair value with changes in the fair value of investments recorded as investment earnings.

***Receivables***

The District does not have any trade accounts receivable, all other receivables are deemed collectible and an allowance for uncollectible accounts is deemed immaterial and has not been recorded. The District's receivables consist primarily of property taxes (see details below) and reimbursement-type revenues relating to various school programs. The latter revenues are classified as "receivables – other" in the fund financial statements.

***Inventories***

Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported in the governmental funds as revenue when received.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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*Capital Assets*

Capital assets, which include land, buildings and improvements and furniture, equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Land and construction in progress are not depreciated. Property and equipment are depreciated using the straight-line method over the following estimated useful lives building and improvements – 20 to 40 years; furniture, equipment and vehicles – 3 to 15 years.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has two items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is a pension related item reported on the government-wide financial statements. See footnote 11 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of these items, which qualify for reporting in this category. Accordingly, one item, *unavailable revenue*, is reported in the balance sheet. The governmental funds report unavailable revenues from property taxes levied for a future year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities statement of net position reports deferred inflows of resources from property taxes levied for a future year. The other item is a pension related item reported on the government-wide financial statements. See footnote 11 for more information

*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 Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. 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.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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*Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The District Superintendent and District Business Administrator are authorized to assign amounts to a specific purpose at the end of each fiscal year. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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**Revenues and Expenditures/Expenses**

*Program revenues*

Amounts reported as 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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

The property tax revenue of the District is collected and distributed by the Iron County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The lien date for real property in the State of Utah is the annual date on which the county assessor's office must establish the owner for record and assessed values of the property to be taxed. The lien date is January 1. The county assessor's office is required to complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

An annual uniform fee based on the age of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles that is due each time a vehicle is registered. Revenues collected in each county from motor fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed.

As of June 30, 2017, property taxes receivable by the District includes taxes received within 60 days after fiscal year end, unless they are prepaid.

*Compensated Absences*

Twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure. In the event of termination, an employee is reimbursed for accumulated vacation days. An employee may carryover a maximum of five unused vacation days to the next year. All vacation pay is accrued when incurred in the government-wide financial statements. No reimbursement or accrual is made for unused sick leave.

**Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 2.      Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

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**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 3. Stewardship, Compliance and Accountability**

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**Budgets and Budgetary Accounting**

Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when additional data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the current fiscal year have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 4. Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2017, \$353,302 of the District's bank balance of \$872,262 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

The Act authorize investments in negotiable or nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 4. Deposits and Investments (Continued)**

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2017 the government had the following investments, ratings, and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Utah Public Treasurers' Investment Fund	\$ 40,793,795	N/A	54.71
Total fair value	<u>\$ 40,793,795</u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act.

**Fair value measurements**

As noted above, the District holds investments that are measured at fair value on a recurring basis. The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The PTIF, as listed above, is valued using significant other observable inputs (Level 2 inputs).

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 5. Capital Assets**

Capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,064,424	\$ 180,170	\$ -	\$ 8,244,594
Construction in progress	2,373,014	11,763,980	(669,075)	13,467,919
Total capital assets, not being depreciated:	<u>10,437,438</u>	<u>11,944,150</u>	<u>(669,075)</u>	<u>21,712,513</u>
Capital assets, being depreciated:				
Buildings and improvements	121,874,147	827,945	-	122,702,092
Furniture, equipment and vehicles	12,826,557	1,349,974	(110,704)	14,065,827
Total capital assets, being depreciated:	<u>134,700,704</u>	<u>2,177,919</u>	<u>(110,704)</u>	<u>136,767,919</u>
Less accumulated depreciation for:				
Buildings and improvements	(42,622,703)	(3,216,087)	-	(45,838,790)
Furniture, equipment and vehicles	(9,675,240)	(791,951)	110,704	(10,356,487)
Total accumulated depreciation	<u>(52,297,943)</u>	<u>(4,008,038)</u>	<u>110,704</u>	<u>(56,195,277)</u>
Total capital assets, being depreciated, net	<u>82,402,761</u>	<u>(1,830,119)</u>	<u>-</u>	<u>80,572,642</u>
Governmental activities capital assets, net	<u>\$ 92,840,199</u>	<u>\$ 10,114,031</u>	<u>\$ (669,075)</u>	<u>\$ 102,285,155</u>

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

<b>Governmental activities:</b>	
Instructional services	\$ 3,290,956
Supporting services:	
Students	2,957
Instructional staff	8,657
District administration	77,465
School administration	20,839
Central services	83,538
Operations and maintenance of facilities	82,818
Transportation	424,419
School food services	<u>16,389</u>
Total depreciation expense - governmental activities	<u>\$ 4,008,038</u>

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 6. Long-term Debt**

Long-term obligations activity for the year ended June 30, 2017 is as follows:

<b>Governmental activities:</b>	<b>Balance 6/30/2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2017</b>	<b>Current Portion</b>
Bonds payable	\$ 39,741,000	\$ 5,033,000	\$ (10,436,000)	\$ 34,338,000	\$ 6,495,000
Plus bond premiums	87,039	-	(80,133)	6,906	-
Total bonds payable	<u>39,828,039</u>	<u>5,033,000</u>	<u>(10,516,133)</u>	<u>34,344,906</u>	<u>6,495,000</u>
Capital lease payable	766,242	-	(250,350)	515,892	256,030
Net pension liability	30,822,767	768,175	-	31,590,942	-
Compensated absences*	165,954	3,862	-	169,816	169,816
Early retirement payable	<u>2,317,939</u>	<u>1,357,812</u>	<u>(792,071)</u>	<u>2,883,680</u>	<u>979,794</u>
Total long-term debt	<u>\$ 73,900,941</u>	<u>\$ 7,162,849</u>	<u>\$ (11,558,554)</u>	<u>\$ 69,505,236</u>	<u>\$ 7,900,640</u>

\*The compensated absences additions amount is net of reductions.

\*\* See Note 14 regarding the beginning balances of net pension liability.

The annual requirements to retire outstanding bonds and loans as of June 30, 2017 are as follows:

Period Ending	<b>Bonds</b>		
	Principal	Interest	Total Bonds
June 30			
2018	\$ 6,495,000	\$ 594,068	\$ 7,089,068
2019	6,921,000	509,070	7,430,070
2020	7,292,000	397,738	7,689,738
2021	6,415,000	271,095	6,686,095
2022	2,357,000	151,634	2,508,634
2023-2024	<u>4,858,000</u>	<u>164,257</u>	<u>5,022,257</u>
Total	<u>\$ 34,338,000</u>	<u>\$ 2,087,862</u>	<u>\$ 36,425,862</u>

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 6. Long-term Debt (Continued)**

Long-term obligations as of June 30, 2017 consist of the following:

**Bonds payable:**

\$10,000,000 Series 2008 General Obligation Building bonds payable in annual installments with interest of 4.625% paid semi-annually.	\$ 685,000
\$10,600,000 Series 2009 General Obligation Building bonds payable in annual installments with interest of 3.45% paid semi-annually.	460,000
\$9,998,000 Series 2014 General Obligation Refunding Bonds payable in annual installments with interest of 1.90% paid semi-annually.	9,562,000
\$14,900,000 Series 2015A General Obligation Building Bonds payable in annual installments with interest of .5% to 2.25% paid semi-annually.	10,484,000
\$11,307,000 Series 2015B General Obligation Refunding Bonds payable in annual installments with interest of .7% to 2.6% paid semi-annually.	8,114,000
\$5,033,000 Series 2017 General Obligation Refunding Bonds payable in annual installments with interest of 1% to 2% paid semi-annually.	<u>5,033,000</u>

Total bonds payable	34,338,000
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**Capital lease payable:**

Lease payable to State Bank of Southern Utah, due in annual installments of \$200,000 to \$300,000 through September 2018, with interest of 2.25% paid annually .	515,892
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Net pension liability	31,590,942
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Compensated absences payable	169,816
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Early retirement payable	2,883,680
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Bond premiums	<u>6,906</u>
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Total long-term debt	<u><u>\$ 69,505,236</u></u>
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<b>Due within one year</b>	\$ 7,900,640
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<b>Due in more than one year</b>	<u>61,604,596</u>
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Total long-term debt	<u><u>\$ 69,505,236</u></u>
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**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 7. Capital Lease**

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In 2014, the District entered into a lease agreement as lessee for financing a portion of the acquisition of an office building and land valued at \$1,303,006 and \$266,881 respectively. The building has a forty-year estimated useful life. This year, \$32,575 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30</u>	
2018	\$ 267,638
2019	<u>267,637</u>
Total remaining minimum lease payments	535,275
Less amount representing interest	<u>(19,383)</u>
Present value of minimum lease payments	<u><u>\$ 515,892</u></u>

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**NOTE 8. Committed for Undistributed Reserve**

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Utah state law allows for the establishment of an undistributed reserve. The Board must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to state law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted expenditures. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

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**NOTE 9. Grants**

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The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, the District's administration estimates such disallowance, if any, would be immaterial.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 10. Risk Management**

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The District is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; violation of civil rights; and natural disasters. These risks are covered by the District's participation in the Utah State Risk Management Fund for school districts. This is a pooled arrangement where the District's pay experienced rated annual premiums that are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. The amount of insurance settlements did not exceed insurance coverage for each of the past three years.

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**NOTE 11. Retirement Plans**

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***General Information about the Pension Plan***

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

***Defined Benefit Plans***

- The Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System); are multiple employer, cost-sharing, public employee retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost-sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11. Retirement Plans, Continued**

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial deductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11. Retirement Plans, Continued**

Contribution rates are as follows:

	<b>Employer Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rate</b>	<b>Employer rate for 401(k) Plan</b>
<b>Contributory System</b>				
12 State School Div - Tier 1	6.00%	n/a	17.70%	n/a
112 State School Div - Tier 2	n/a	n/a	18.24%	1.78%
<b>Noncontributory System</b>				
16 State School Div - Tier 1	n/a	n/a	22.19%	1.50%
<b>Tier 2 DC Only</b>				
212 State and School	n/a	n/a	10.02%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 5,824,080	n/a
Contributory System	9,872	553
Tier 2 Public Employee System	860,266	-
Tier 2 DC Only System	104,077	n/a
Total Contributions	<u>\$ 6,798,295</u>	<u>\$ 553</u>

***Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the District reported a net pension liability of \$31,590,942.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionat e Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$ 31,408,679	0.9691294%	0.9771574%	(0.0080280)%
Contributory System	-	125,840	0.2296535%	0.2033902%	0.0262633%
Tier 2 Public Employees System	-	56,423	0.5058162%	0.4879874%	0.0178288%
	<u>\$ -</u>	<u>\$ 31,590,942</u>			

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11. Retirement Plans, Continued**

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, the District recognized pension expense of \$7,205,751. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,741,217
Changes in assumptions	3,366,672	394,702
Net difference between projected and actual earnings on pension plan investments	5,969,997	1,713,438
Changes in proportion and differences between contributions and proportionate share of contributions	72,973	192,098
Contributions subsequent to the measurement date	3,397,123	-
Total	<u>\$ 12,806,765</u>	<u>\$ 4,041,455</u>

\$3,397,123 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2017	\$ 1,617,375
2018	1,699,381
2019	2,270,274
2020	(237,065)
2021	1,464
Thereafter	16,757

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11. Retirement Plans, Continued**

Actuarial assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 – 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (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:

	<b>Expected Return Arithmetic Basis</b>		
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11. Retirement Plans, Continued**

Discount rate: The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

<b>System</b>	<b>Discount</b>		
	<b>1% Decrease</b> <b>-6.20%</b>	<b>Rate</b> <b>-7.20%</b>	<b>1% Increase</b> <b>-8.20%</b>
Noncontributory System	\$ 57,588,382	\$ 31,408,679	\$ 9,467,531
Contributory System	309,376	125,840	(30,033)
Tier 2 Public Employee System	384,055	56,423	(192,822)
Total	<u>\$ 58,281,813</u>	<u>\$ 31,590,942</u>	<u>\$ 9,244,676</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

***Defined Contribution Savings Plans***

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11. Retirement Plans, Continued**

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>401(k) Plan</b>			
Employer Contributions	\$ 591,453	\$ 549,644	\$ 511,933
Employee Contributions	\$ 546,940	\$ 544,923	\$ 523,813
<b>457 Plan</b>			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 31,783	\$ 27,814	\$ 21,917
<b>Roth IRA Plan</b>			
Employer Contributions	n/a	n/a	n/a
Employee Contributions	\$ 63,008	\$ 49,702	\$ 35,786

**NOTE 12. General Obligation Refunding Bond Issuance**

The District issued \$5,033,000 of General Obligation Refunding Bonds Series 2017. The proceeds were used to refund \$3,190,000 of outstanding 2009 Series general obligation bonds which had an interest rate of 3.0-4.125% and \$1,613,000 of outstanding 2015A Series general obligation bonds which had an interest rate of .5-2.25%. As a result, those portions of the 2009 and 2015A Series general obligation bonds are considered defeased and the liabilities for those bonds have been removed from the statement of net position.

The District refunded a portion of the 2009 and 2015A Series general obligation bonds to reduce its future debt service payments by \$208,397 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$209,203.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**IRON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years**

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
<i>Noncontributory System</i>	2015	0.9727219%	\$ 24,439,917	\$ 27,196,952	89.86%	87.2%
	2016	0.9771574%	30,695,312	26,869,214	114.24%	84.5%
	2017	0.9691294%	31,408,679	26,741,465	117.45%	84.9%
<i>Contributory System</i>	2015	0.1745517%	\$ 19,139	\$ 63,809	29.99%	98.7%
	2016	0.2033902%	127,455	64,430	197.82%	92.4%
	2017	0.2296535%	125,840	61,563	204.41%	93.4%
<i>Tier 2 Public Employees System</i>	2015	0.5354464%	\$ (16,226)	\$ 2,619,032	-0.62%	103.5%
	2016	0.4879874%	(1,065)	3,151,178	-0.03%	100.2%
	2017	0.5058162%	56,423	4,148,090	1.36%	95.1%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

**IRON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Last 10 Fiscal Years**

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered	payroll	Contributions as a percentage of covered employee payroll **
<i>Noncontributory System</i>	2014	\$ 5,418,221	\$ 5,418,221	\$ -	\$	27,330,220	19.83%
	2015	5,818,513	5,818,513	-		26,890,621	21.64%
	2016	5,888,448	5,888,448	-		26,899,223	21.89%
	2017	5,824,080	5,824,080	-		26,551,149	21.94%
<i>Contributory System</i>	2014	\$ 9,952	\$ 9,952	\$ -	\$	63,239	15.74%
	2015	11,139	11,139	-		63,782	17.46%
	2016	11,651	11,651	-		65,824	17.70%
	2017	9,872	9,872	-		55,774	17.70%
<i>Tier 2 Public Employees System *</i>	2014	\$ 371,385	\$ 371,385	\$ -	\$	2,236,695	16.60%
	2015	514,573	514,573	-		2,848,220	18.07%
	2016	653,872	653,872	-		3,583,813	18.25%
	2017	860,266	860,266	-		4,717,792	18.23%
<i>Tier 2 Public Employees DC Only System *</i>	2014	\$ 12,716	\$ 12,716	\$ -	\$	154,723	8.22%
	2015	41,859	41,859	-		420,304	9.96%
	2016	67,709	67,709	-		668,021	10.14%
	2017	104,077	104,077	-		1,031,736	10.09%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

\*\* Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**June 30, 2017**

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**Changes in Assumptions:**

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

## **COMBINING STATEMENTS**

## Nonmajor Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Non K-12 Programs Fund:** This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include adult education and preschool for disabled students, which are funded primarily by the State of Utah and the U.S. Government.

**School Lunch Fund:** This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and U.S. Government to help ensure that students receive low cost, nutritionally balanced meals.

**Student Activity Fund:** This fund is comprised of revenues and expenditures from school-based operations. The revenues primarily consist of interest earnings, gate receipts, fundraisers and student fees. Expenditures support curricular and extra-curricular activities.

**Tax Increment Financing Fund:** This fund is used to account for property taxes levied by the District, but remitted directly to redevelopment agencies located within the boundaries of the District. Incremental taxes are levied as authorized by *Utah Code 17C-1*. Incremental taxes are recorded as revenue with an equivalent amount of expenditure representing the fact that these amounts are forwarded directly by the county to the redevelopment agencies and used at the agencies' discretion.

**IRON COUNTY SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue			Tax Increment Financing	Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Student Activities		
<b>Assets</b>					
Cash and cash equivalents	\$ 392,564	\$ 1,137,437	\$ 851,804	\$ -	\$ 2,381,805
Receivables					
Property taxes receivable	-	-	-	202,341	202,341
Other local	5,193	-	-	-	5,193
State of Utah	10,945	254,376	-	-	265,321
Federal government	134,356	-	-	-	134,356
Inventories	-	115,391	-	-	115,391
Total assets	<u>\$ 543,058</u>	<u>\$ 1,507,204</u>	<u>\$ 851,804</u>	<u>\$ 202,341</u>	<u>\$ 3,104,407</u>
<b>Liabilities</b>					
Accounts payable	\$ 630	\$ 1,828	\$ -	\$ -	\$ 2,458
Accrued salaries, benefits and withholdings	58,382	33,461	-	-	91,843
Unearned revenue	-	69,521	-	-	69,521
Total liabilities	<u>59,012</u>	<u>104,810</u>	<u>-</u>	<u>-</u>	<u>163,822</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property taxes	-	-	-	202,341	202,341
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,341</u>	<u>202,341</u>
<b>Fund balances</b>					
Nonspendable:					
Inventories	-	115,391	-	-	115,391
Restricted for:					
Non K-12 programs	20,990	-	-	-	20,990
Food services	-	1,287,003	-	-	1,287,003
Committed to:					
Student activities	-	-	851,804	-	851,804
Assigned to:					
Non K-12 programs	463,056	-	-	-	463,056
Total fund balances	<u>484,046</u>	<u>1,402,394</u>	<u>851,804</u>	<u>-</u>	<u>2,738,244</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 543,058</u>	<u>\$ 1,507,204</u>	<u>\$ 851,804</u>	<u>\$ 202,341</u>	<u>\$ 3,104,407</u>

**IRON COUNTY SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue</u>			<u>Tax Increment Financing</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	<u>Student Activities</u>		
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ 3,132,243	\$ 3,132,243
Student fees	-	-	1,422,150	-	1,422,150
Vending and concessions	-	-	59,618	-	59,618
Fundraisers and donations	-	-	326,241	-	326,241
Earnings on investments	-	-	5,991	-	5,991
Other local sources	187,218	797,490	430,127	-	1,414,835
State aid	1,014,282	620,801	-	-	1,635,083
Federal aid	177,563	2,491,838	-	-	2,669,401
Total revenues	<u>1,379,063</u>	<u>3,910,129</u>	<u>2,244,127</u>	<u>3,132,243</u>	<u>10,665,562</u>
<b>Expenditures</b>					
Current:					
Instructional services	1,034,131	-	2,230,592	3,132,243	6,396,966
Supporting services:					
Students	201,645	-	-	-	201,645
Instructional staff	5,038	-	-	-	5,038
District administration	4,250	-	-	-	4,250
School administration	14,668	-	-	-	14,668
Central services	9,457	-	-	-	9,457
Operation and maintenance	40,150	-	-	-	40,150
Transportation	59,829	-	-	-	59,829
School food services	-	3,565,954	-	-	3,565,954
Total expenditures	<u>1,369,168</u>	<u>3,565,954</u>	<u>2,230,592</u>	<u>3,132,243</u>	<u>10,297,957</u>
Excess (deficiency) of revenues over (under) expenditures	9,895	344,175	13,535	-	367,605
<b>Fund balances - beginning</b>	<u>474,151</u>	<u>1,058,219</u>	<u>838,269</u>	<u>-</u>	<u>2,370,639</u>
<b>Fund balances - ending</b>	<u>\$ 484,046</u>	<u>\$ 1,402,394</u>	<u>\$ 851,804</u>	<u>\$ -</u>	<u>\$ 2,738,244</u>

**FEDERAL AND STATE REPORTS**

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**Independent Auditors' 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***

Honorable Board of Education  
Iron County School District  
Cedar City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of Iron County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Iron County School District's basic financial statements, and have issued our report thereon dated November 30, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Iron County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
November 30, 2017

**Independent Auditors' Report on Compliance for Each Major  
Program and on Internal Control Over Compliance  
Required by the Uniform Guidance**

Honorable Board of Education  
Iron County School District  
Cedar City, Utah

**Report on Compliance for Each Major Federal Program**

We have audited Iron County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Iron County School District's major federal programs for the year ended June 30, 2017. Iron County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Iron County 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 auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iron County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Iron County 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, 2017.

## Report on Internal Control Over Compliance

Management of Iron County 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 Iron County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iron County 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.



HintonBurdick, PLLC  
St. George, Utah  
November 30, 2017

**IRON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**Section I – Summary of Auditors’ Results**

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Financial Statements

Type of auditor’s report issued: Unmodified  
Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  Yes  No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	NCLB-Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**IRON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2017**

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**Section II – Financial Statement Findings**

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No significant matters were noted.

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**Section III – Federal Award Findings and Questioned Costs**

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No significant matters were noted.

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**Section IV – Summary Schedule of Prior Audit Findings**

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No significant matters were noted.

**IRON COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Grantor Agency/Program	Federal CFDA Number	Pass-through Grantor's Program Number	Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Passed through the Utah State Office of Education:</b>			
Child Nutrition Cluster			
National School Breakfast Program	10.553	8001	\$ 412,544
National School lunch Program	10.555	8001	1,824,079
USDA Commodities - Food Donation	10.555	8001	255,215
Total Child Nutrition Cluster			<u>2,491,838</u>
<b>Total U.S. Department of Agriculture</b>			<u>2,491,838</u>
<b>U.S. Department of Education</b>			
<b>Direct Award:</b>			
Indian Education	84.060A		46,837
<b>Passed through the Utah State Office of Education:</b>			
Career Pathway	84.048A	6043	50,000
Vocational Education - Leadership & Development	84.048A	6900	16,045
Vocational Education - Comprehensive Guidance	84.048A	6903	138,206
			<u>204,251</u>
Special Education Cluster (IDEA)			
I.D.E.A., Part B, Special Education Grants to States	84.027A	7524	1,653,035
I.D.E.A., Part B, Preschool Special Education	84.173A	7522	56,525
Total Special Education Cluster (IDEA)			<u>1,709,560</u>
Special Education State Personnel Development	84.323A	7526	1,656
Adult Education State Grant Program	84.002A	7580	20,026
Adult Education Prisons and Institutions	84.002A	7581	9,200
			<u>29,226</u>
NCLB - Title I, Part A	84.010A	7801	1,937,975
NCLB - Migrant Education	84.011A	7830	32,901
NCLB - Neglected & Delinquent	84.013A	7840	28,845
Improving Teacher Quality State Grants	84.367A	7860	253,791
NCLB - Title III, Part A, English Language Acquisition	84.365A	7880	28,942
			<u>2,282,759</u>
<b>Total U.S. Department of Education</b>			<u>4,273,984</u>
<b>U.S. Department of Health and Human Services</b>			
<b>Passed through the Utah State Office of Education:</b>			
Temporary Assistance for Needy Families	93.558	7350	91,813
<b>Total U.S. Department of Health and Human Services</b>			<u>91,813</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,857,635</u>

**IRON COUNTY SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

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**Note 1      General**

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The schedule of expenditures of federal awards presents the activity of all federal award programs of Iron County School District (District). The District reporting entity is defined in Note 1 to the District's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule. Of the federal expenditures presented in the schedule, the District provided no federal awards to sub recipients.

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**Note 2.      Basis of Presentation**

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The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to the District's financial statements.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met. Donated food commodities are recorded at fair value at the date of contribution to the District and totaled \$255,215 for the year ended June 30, 2017.

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**Note 3.      Indirect Cost Rate**

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The District did not elect to use the 10% de minimis indirect cost rate for fiscal year 2017.

**Independent Auditor's Report on Compliance and  
Report on Internal Control Over Compliance  
As Required by the *State Compliance Audit Guide***

To the Board of Education and Business Administrator  
Iron County School District

**Report On Compliance with General State Compliance Requirement**

We have audited Iron County School District's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

Budgetary Compliance	Open and Public Meetings Act
Fund Balance	Public Treasurer's Bond
Utah Retirement Systems	Minimum School Program
Restricted Taxes and Related Revenues	
School District Tax Levies	

***Management's Responsibility***

Management is responsible for compliance with the state requirements referred to above.

***Auditor's Responsibility***

Our responsibility is to express an opinion on Iron County School District's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Iron County School District occurred. An audit includes examining, on a test basis, evidence about Iron County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Iron County School District's compliance with those requirements.

***Opinion on General State Compliance Requirements***

In our opinion, Iron County School District, complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of Findings and Recommendations as item:

2016-001      Budgetary Compliance

Our opinion on compliance is not modified with respect to this matter.

Iron County School District's response to the noncompliance findings identified in our audit is described in the accompanying Response to Findings letter. Iron County School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Iron County School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Iron County School District's internal control over compliance with the state compliance requirements referred to above to determine audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 Iron County 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 state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement 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 state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
November 30, 2017



**Schedule of Findings and Recommendations**

Honorable Board of Education  
Iron County School District  
Cedar City, Utah

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, we noted a few areas needing corrective action for the School District to be in compliance with State laws and regulations.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weakness:**

None Noted

**Significant Deficiency:**

None Noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

2016-001      Budgetary Compliance

*Criteria:* Utah Code 53A-19-106 states that expenditures for a fund cannot exceed the budgeted amounts.

*Condition:* The Tax Increment Fund and Capital Project Fund exceeded their appropriated budget.

*Cause:* There was a breakdown of internal control regarding budgetary control in the funds mentioned.

*Effect:* The District is not in compliance with Utah Code 53A-19-106.

*Recommendation:* We recommend the District monitor expenditures of each fund more closely to ensure that they do not exceed the budget.

**Other Matters:**

None Noted.

Please respond to the above Findings and Recommendations in letter form.

The Iron County School District's written response[s] to the compliance findings identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it [them].

This letter is intended solely for the use of the Board, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant, professional relationship.

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
November 30, 2017



# IRON COUNTY SCHOOLS

## CREATING A BETTER TOMORROW FOR ALL

2077 W. Royal Hunte Dr. • Cedar City, Utah 84720  
(435) 586-2804 • Fax (435) 586-2815 • [irondistrict.org](http://irondistrict.org)

November 29, 2017

Utah State Auditor  
211 State Capitol  
Salt Lake City, Utah 84114

RE: Response to Audit Recommendations

We have received the management letter from our independent auditors and are responding to their suggestions as follows:

### **2016-001. Budgetary Compliance**

The Tax Increment Fund showed revenue and expenditures that exceeded the budgeted amounts. This finding also happened in FY16. We responded then that we would work more closely with our County Auditor to make sure we had accurate figures when preparing and amending our budget. We did that this year. In fact the County Auditor hand delivered the figures to us personally. We felt that we had done our due diligence. However, when our external auditors were verifying the figures, they also visited with the County Treasurer and were given different numbers than we had previously received. The explanation our external auditors received was that the County Auditor hadn't done a complete and accurate verification and hadn't included all the Tax Increment amounts. The County Auditor is new to his position and that may have been part of the problem. We will take additional steps in the future to make sure that the County officials have communicated with each other and that the figures they provide us are accurate to the best of our knowledge.

The Capital Projects Fund showed actual expenditures exceeding budgeted expenditures. This came about due to a large account payable on a new school building under construction that was not included in the budgeted expenditures. During FY17 we had a new accounts payable person and a new senior accountant person in the district. This account payable was just overlooked and shouldn't have been missed. Our new people have been trained and we anticipate this won't happen again. We will take extra precautions to be as accurate as possible.

Sincerely,

Kent F. Peterson  
School Business Administrator