

IRON COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

IRON COUNTY SCHOOL DISTRICT
Table of Contents

Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund	20
Notes to the Financial Statements	21
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	44
Schedule of Contributions	45
Notes to the Required Supplementary Information.....	46
Supplementary Information:	
Combining Fund Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	50

Federal and State Reports

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	55
Schedule of Findings and Questioned Costs.....	57
Summary Schedule of Prior Audit Findings.....	58
Schedule of Expenditures of Federal Awards.....	59
Report In Accordance with the <i>State Compliance Audit Guide</i>	61
Schedule of Findings and Recommendations	63
Management's Response to the Findings.....	65

This page is intentionally blank.

FINANCIAL SECTION

This page is intentionally blank.



HINTONBURDICK
CPAs & ADVISORS

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, 2018, 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, 2018, 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 28, 2018, 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 28, 2018

This page is intentionally blank.

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, 2018. 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 \$84,612,195 at the close of the most recent fiscal year.
- During the year, expenses were \$6.95 million less than the \$88.1 million generated in taxes and other revenues for governmental activities.
- The general fund revenues were less than the adopted budgeted amounts, and the expenditures were also 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 increased 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 \$35.0 million as compared with \$35.1 million at the end of last year.
- The District's total long-term debt decreased by \$14.5 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 \$84,612,195 at the close of the most recent fiscal year.

IRON COUNTY SCHOOL DISTRICT'S Net position

	6/30/2018	6/30/2017	Change
Current and other assets	\$ 68,114,564	\$ 68,203,409	\$ (88,845)
Capital assets	101,739,150	102,285,155	(546,005)
Total assets	<u>169,853,714</u>	<u>170,488,564</u>	<u>(634,850)</u>
Total deferred outflows of resources	<u>14,922,892</u>	<u>13,865,966</u>	<u>1,056,926</u>
Current and other liabilities	32,120,919	9,521,772	22,599,147
Long-term liabilities outstanding	<u>30,811,524</u>	<u>69,505,236</u>	<u>(38,693,712)</u>
Total liabilities	<u>62,932,443</u>	<u>79,027,008</u>	<u>(16,094,565)</u>
Total deferred inflows of resources	<u>37,231,968</u>	<u>27,667,707</u>	<u>9,564,261</u>
Net position:			
Net investment in capital assets	74,405,171	70,611,163	3,794,008
Restricted	16,332,384	13,956,640	2,375,744
Unrestricted	<u>(6,125,360)</u>	<u>(6,907,988)</u>	<u>782,628</u>
Total net position	<u><u>\$ 84,612,195</u></u>	<u><u>\$ 77,659,815</u></u>	<u><u>\$ 6,952,380</u></u>

- 88% 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 (19%) represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of unrestricted net position (-7%) 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 \$6,952,380 during the current year. The following analysis on governmental activities focuses on this increase.

IRON COUNTY SCHOOL DISTRICT'S Changes in Net position

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 3,675,077	\$ 3,517,882	\$ 157,195
Operating grants and contributions	26,420,052	24,100,511	2,319,541
Capital grants and contributions	-	-	-
General revenues:			
Taxes	30,183,748	28,095,215	2,088,533
Federal and state aid not restricted to a specific purpose	26,252,901	25,461,585	791,316
Unrestricted investment earnings	690,828	507,726	183,102
Other	882,683	780,350	102,333
Total revenues	<u>88,105,289</u>	<u>82,463,269</u>	<u>5,642,020</u>
Expenses			
Instructional services	54,714,892	52,325,612	2,389,280
Supporting services:			
Students	3,136,472	2,788,825	347,647
Instructional staff	2,349,978	1,991,108	358,870
District administration	813,840	747,620	66,220
School administration	4,040,710	4,092,650	(51,940)
Central services	1,422,420	1,478,240	(55,820)
Operation and maintenance	6,734,367	6,380,301	354,066
Transportation	3,130,993	2,928,593	202,400
Community Services	59,899	48,596	11,303
School food services	3,957,755	3,551,006	406,749
Interest and fiscal charges	791,583	862,887	(71,304)
Total expenses	<u>81,152,909</u>	<u>77,195,438</u>	<u>3,957,471</u>
Increase in net position	<u>6,952,380</u>	<u>5,267,831</u>	<u>1,684,549</u>
Net position, beginning	<u>77,659,815</u>	<u>72,391,984</u>	<u>5,267,831</u>
Net position, ending	<u>\$ 84,612,195</u>	<u>\$ 77,659,815</u>	<u>\$ 6,952,380</u>

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 \$19.9 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 (\$2.8 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 2.6% 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 (\$9.7 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 \$616,823 or .96% in total general fund expenditures. The most significant differences may be summarized as follows:

- \$452 thousand decrease in instructional services, to reflect personnel adjustments, adjustments in contracted services, and adjustments for purchasing instructional supplies and equipment.
- \$218 thousand decrease in supporting services-transportation, to reflect personnel adjustments for salaries and benefits.
- \$93 thousand decrease in supporting services- students, to reflect personnel adjustments and adjustments to supplies.

During the year, final budgeted revenues were less than original budgetary estimates by \$665 thousand to account for changes in local revenue and federal and state aid.

Even with these adjustments, actual expenditures were \$242 thousand below final budgeted amounts. The most significant positive variances were \$126 thousand in instructional services, \$145 thousand in supporting services-operation and maintenance of facilities, and \$46 thousand in supporting services-transportation. On the other hand, resources available for appropriation were \$112 thousand below 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, 2018 are outlined below:

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

	Governmental Activities		
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
Land	\$ 8,244,594	\$ 8,244,594	\$ -
Construction in progress	86,896	13,467,919	(13,381,023)
Buildings and improvements	89,457,199	76,863,302	12,593,897
Furniture, equipment and vehicles	3,950,461	3,709,340	241,121
Total capital assets, net	<u>\$ 101,739,150</u>	<u>\$ 102,285,155</u>	<u>\$ (546,005)</u>

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 \$27.8 million. The entire debt is general obligation debt.

IRON SCHOOL DISTRICT Outstanding Debt (in millions of dollars)

	Governmental Activities		
	<u>06/30/2018</u>	<u>06/30/2017</u>	<u>Change</u>
General Obligation Bonds	\$27.8	\$34.3	\$(6.5)

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, 2018 is \$252,823,073. General obligation debt at June 30, 2018 is \$27,843,000, resulting in a legal debt margin of \$224,980,073.

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 has been experiencing a steady enrollment growth of 1.0-2.0% for the last several years. The enrollment numbers for our new school year have jumped to 2.5-3.0%. 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 are increasing 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 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 is also experiencing some enrollment growth as a result of the enrollment increase at Southern Utah University. They will have 11,000 students enrolled this year and are planning to grow to 15,000 students within the next few years.

With the completion of the District's ten-year facilities and construction plan, the School Board has prioritized the District's projects and needs and is in the process of asking the public for a \$92,000,000 bond authorization. The first priorities would be to upgrade safety and security in all of our buildings along with complete video surveillance in all of our schools. There will also be a classroom addition to the District's two middle schools. Over the next several years, the District will either replace two of our aging elementary school buildings or build additional elementary schools as the need suggests depending on enrollment increases. With these needs being addressed, we feel the District will be able to handle anticipated growth for the next several years. The District continues to implement some minor elementary school boundary modifications to provide maximum use of our current elementary schools.

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, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 39,794,345
Receivables	
Local property taxes	25,863,670
Other local	225,081
State of Utah	278,682
Federal government	1,560,252
Inventories	392,534
Capital assets:	
Land and construction in progress	8,331,490
Other capital assets, net of accumulated depreciation	93,407,660
Total assets	169,853,714
Deferred outflows of resources	
Deferred outflows related to pensions	14,078,109
Deferred charge on bond refunding	844,783
Total deferred outflows of resources	14,922,892
Liabilities	
Accounts payable	319,396
Accrued salaries, benefits and withholdings	7,498,248
Unearned revenue	70,216
Noncurrent liabilities:	
Due within one year	8,309,660
Due in more than one year	22,501,864
Net pension liability	24,233,059
Total liabilities	62,932,443
Deferred inflows of resources	
Deferred inflows related to pensions	11,955,906
Property taxes levied for future year	25,276,062
Total deferred inflows of resources	37,231,968
Net position	
Net investment in capital assets	74,405,171
Restricted for:	
State and federal programs	2,840,437
Debt service	5,754,904
Capital projects	6,346,764
Non K-12 programs	24,615
Food services	1,365,664
Unrestricted	(6,125,360)
Total net position	\$ 84,612,195

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

IRON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instructional services	\$ 54,714,892	\$ 2,791,038	\$ 21,354,480	\$ -	\$ (30,569,374)
Supporting services:					
Students	3,136,472	-	-	-	(3,136,472)
Instructional staff	2,349,978	-	-	-	(2,349,978)
District administration	813,840	-	-	-	(813,840)
School administration	4,040,710	-	-	-	(4,040,710)
Central services	1,422,420	-	-	-	(1,422,420)
Operation and maintenance of facilities	6,734,367	-	-	-	(6,734,367)
Transportation	3,130,993	-	1,894,651	-	(1,236,342)
Community Services	59,899	45,014	-	-	(14,885)
School food services	3,957,755	839,025	3,170,921	-	52,191
Interest and fiscal charges	791,583	-	-	-	(791,583)
	<u>\$ 81,152,909</u>	<u>\$ 3,675,077</u>	<u>\$ 26,420,052</u>	<u>\$ -</u>	<u>(51,057,780)</u>
General revenues:					
Property taxes levied for:					
General purposes and other					18,046,163
Debt service					7,878,783
Capital outlay					4,258,802
Federal and state aid not restricted to specific purposes					26,252,901
Earnings on investments					690,828
Miscellaneous					857,903
Gain on sale of capital assets					24,780
Total general revenues					<u>58,010,160</u>
Change in net position					<u>6,952,380</u>
Net position - beginning					<u>77,659,815</u>
Net position - ending					<u>\$ 84,612,195</u>

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

IRON COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 25,161,710	\$ 5,582,490	\$ 6,281,243	\$ 2,768,902	\$ 39,794,345
Receivables					
Local property taxes	13,868,173	7,546,819	3,927,686	520,992	25,863,670
Other local	200,734	-	21,671	2,676	225,081
State of Utah	112,409	-	5,665	160,608	278,682
Federal government	1,432,273	-	-	127,979	1,560,252
Inventories	289,891	-	-	102,643	392,534
Total assets	<u>\$ 41,065,190</u>	<u>\$ 13,129,309</u>	<u>\$ 10,236,265</u>	<u>\$ 3,683,800</u>	<u>\$ 68,114,564</u>
Liabilities					
Accounts payable	\$ 246,269	\$ -	\$ 48,891	\$ 24,236	\$ 319,396
Accrued salaries, benefits and withholdings	7,388,698	-	6,121	103,429	7,498,248
Unearned revenue	-	-	-	70,216	70,216
Total liabilities	<u>7,634,967</u>	<u>-</u>	<u>55,012</u>	<u>197,881</u>	<u>7,887,860</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	13,546,176	7,374,405	3,834,489	520,992	25,276,062
Total deferred inflows of resources	<u>13,546,176</u>	<u>7,374,405</u>	<u>3,834,489</u>	<u>520,992</u>	<u>25,276,062</u>
Fund balances					
Nonspendable:					
Inventories	289,891	-	-	102,643	392,534
Restricted for:					
State and federal programs	2,840,437	-	-	-	2,840,437
Debt service	-	5,754,904	-	-	5,754,904
Capital projects	-	-	6,346,764	-	6,346,764
Non K-12 programs	-	-	-	24,615	24,615
Food services	-	-	-	1,365,664	1,365,664
Committed	2,400,000	-	-	993,727	3,393,727
Assigned	9,718,594	-	-	478,278	10,196,872
Unassigned	4,635,125	-	-	-	4,635,125
Total fund balances	<u>19,884,047</u>	<u>5,754,904</u>	<u>6,346,764</u>	<u>2,964,927</u>	<u>34,950,642</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 41,065,190</u>	<u>\$ 13,129,309</u>	<u>\$ 10,236,265</u>	<u>\$ 3,683,800</u>	<u>\$ 68,114,564</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, 2018

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

Total fund balances for governmental funds		\$ 34,950,642
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.		
	Governmental capital assets	\$ 162,142,320
	Accumulated depreciation	<u>(60,403,170)</u>
		101,739,150
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	\$ 14,078,109
	Deferred inflows	<u>(11,955,906)</u>
		2,122,203
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	\$ (27,843,000)
	Deferred amounts	
	Deferred charge on refunding	844,783
	Capital lease payable	(335,762)
	Net pension liability	(24,233,059)
	Compensated absences	(170,000)
	Early retirement payable	<u>(2,462,762)</u>
		<u>(54,199,800)</u>
Net position of governmental activities		<u>\$ 84,612,195</u>

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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 14,437,338	\$ 7,878,783	\$ 4,258,802	\$ 3,608,825	\$ 30,183,748
Student fees	-	-	-	1,340,690	1,340,690
Vending and concessions	-	-	-	62,618	62,618
Fundraisers and donations	100	-	-	505,132	505,232
Earnings on investments	401,076	107,266	144,154	38,332	690,828
Other local sources	1,304,742	-	288,269	1,583,372	3,176,383
State aid	42,990,320	-	148,533	1,662,763	44,801,616
Federal aid	4,541,282	-	-	2,778,112	7,319,394
Total revenues	<u>63,674,858</u>	<u>7,986,049</u>	<u>4,839,758</u>	<u>11,579,844</u>	<u>88,080,509</u>
Expenditures					
Current:					
Instructional services	42,779,230	-	6,975	7,057,224	49,843,429
Supporting services:					
Students	3,016,452	-	-	187,280	3,203,732
Instructional staff	2,354,740	-	-	17,346	2,372,086
District administration	720,635	-	-	2,500	723,135
School administration	4,128,603	-	-	15,588	4,144,191
Central services	1,412,920	5,500	-	-	1,418,420
Operation and maintenance	6,385,537	-	294,595	40,368	6,720,500
Transportation	2,644,615	-	-	61,989	2,706,604
Community services	60,479	-	-	-	60,479
School food services	-	-	-	3,970,866	3,970,866
Capital outlay	-	-	5,787,389	-	5,787,389
Debt service:					
Principal retirement	-	6,495,000	273,130	-	6,768,130
Interest and fiscal charges	-	568,329	15,742	-	584,071
Total expenditures	<u>63,503,211</u>	<u>7,068,829</u>	<u>6,377,831</u>	<u>11,353,161</u>	<u>88,303,032</u>
Excess of revenues over (under) expenditures	<u>171,647</u>	<u>917,220</u>	<u>(1,538,073)</u>	<u>226,683</u>	<u>(222,523)</u>
Other financing sources (uses)					
Capital lease proceeds	-	-	93,000	-	93,000
Sale of capital assets	-	-	24,780	-	24,780
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>117,780</u>	<u>-</u>	<u>117,780</u>
Net change in fund balances	171,647	917,220	(1,420,293)	226,683	(104,743)
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 19,884,047</u>	<u>\$ 5,754,904</u>	<u>\$ 6,346,764</u>	<u>\$ 2,964,927</u>	<u>\$ 34,950,642</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, 2018

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

Net change in fund balances-total governmental funds **\$ (104,743)**

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	\$ 3,667,988	
Depreciation expense	<u>(4,213,993)</u>	(546,005)

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:		
Capital lease financing	\$ (93,000)	
Principal repayments	<u>6,768,130</u>	6,675,130

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	\$ 6,906	
Amortization of deferred charge	(214,418)	
Compensated absences	(184)	
Early retirement costs	<u>420,918</u>	213,222

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	\$ (6,442,726)	
Pension contributions	<u>7,157,502</u>	<u>714,776</u>

Change in net position of governmental activities **\$ 6,952,380**

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 14,786,527	\$ 14,562,474	\$ 14,437,338	\$ (125,136)
Earnings on investments	150,000	419,149	401,076	(18,073)
Fundraisers and donations	-	-	100	100
Other local sources	1,025,000	1,309,696	1,304,742	(4,954)
State aid	44,205,504	42,964,700	42,990,320	25,620
Federal aid	4,285,253	4,531,232	4,541,282	10,050
Total revenues	<u>64,452,284</u>	<u>63,787,251</u>	<u>63,674,858</u>	<u>(112,393)</u>
Expenditures				
Current:				
Instructional services	43,356,713	42,904,938	42,779,230	125,708
Supporting services:				
Students	3,109,800	3,016,648	3,016,452	196
Instructional staff	2,184,791	2,289,576	2,354,740	(65,164)
District administration	708,736	720,675	720,635	40
School administration	4,060,837	4,128,230	4,128,603	(373)
Central services	1,401,359	1,412,815	1,412,920	(105)
Operation and maintenance of facilities	6,521,859	6,530,291	6,385,537	144,754
Transportation	2,908,287	2,690,701	2,644,615	46,086
Community services	109,625	51,310	60,479	(9,169)
Total expenditures	<u>64,362,007</u>	<u>63,745,184</u>	<u>63,503,211</u>	<u>241,973</u>
Excess (deficiency) of revenues over (under) expenditures	90,277	42,067	171,647	129,580
Fund balances - beginning	<u>19,712,400</u>	<u>19,712,400</u>	<u>19,712,400</u>	<u>-</u>
Fund balances - ending	<u>\$ 19,802,677</u>	<u>\$ 19,754,467</u>	<u>\$ 19,884,047</u>	<u>\$ 129,580</u>

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

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies

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, 2018

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2018

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2018

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2018

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2018

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2018, 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, 2018

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

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.

This section intentionally left blank

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 3. Stewardship, Compliance and Accountability

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, 2018

NOTE 4. Deposits and Investments

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, 2018, \$444,872 of the District's bank balance of \$803,200 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, 2018

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, 2018 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	\$ 39,608,719	N/A	51.96
Total fair value	<u>\$ 39,608,719</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, 2018

NOTE 5. Capital Assets

Capital assets activity for the year ended June 30, 2018 is as follows:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,244,594	\$ -	\$ -	\$ 8,244,594
Construction in progress	13,467,919	2,442,548	(15,823,571)	86,896
Total capital assets, not being depreciated:	<u>21,712,513</u>	<u>2,442,548</u>	<u>(15,823,571)</u>	<u>8,331,490</u>
Capital assets, being depreciated:				
Buildings and improvements	122,702,092	15,947,378	-	138,649,470
Furniture, equipment and vehicles	14,065,827	1,101,633	(6,100)	15,161,360
Total capital assets, being depreciated:	<u>136,767,919</u>	<u>17,049,011</u>	<u>(6,100)</u>	<u>153,810,830</u>
Less accumulated depreciation for:				
Buildings and improvements	(45,838,790)	(3,353,481)	-	(49,192,271)
Furniture, equipment and vehicles	(10,356,487)	(860,512)	6,100	(11,210,899)
Total accumulated depreciation	<u>(56,195,277)</u>	<u>(4,213,993)</u>	<u>6,100</u>	<u>(60,403,170)</u>
Total capital assets, being depreciated, net	<u>80,572,642</u>	<u>12,835,018</u>	<u>-</u>	<u>93,407,660</u>
Governmental activities capital assets, net	<u>\$ 102,285,155</u>	<u>\$ 15,277,566</u>	<u>\$(15,823,571)</u>	<u>\$ 101,739,150</u>

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

Governmental activities:	
Instructional services	\$ 3,435,893
Supporting services:	
Students	2,591
Instructional staff	300
District administration	132,322
School administration	28,589
Central services	48,094
Operations and maintenance of facilities	90,365
Transportation	450,190
School food services	25,649
Total depreciation expense - governmental activities	<u>\$ 4,213,993</u>

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 6. Long-term Debt

Long-term obligations activity for the year ended June 30, 2018 is as follows:

Governmental activities:	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Current Portion
Bonds payable	\$ 34,338,000	\$ -	\$ (6,495,000)	\$ 27,843,000	\$ 6,921,000
Plus bond premiums	6,906	-	(6,906)	-	-
Total bonds payable	<u>34,344,906</u>	<u>-</u>	<u>(6,501,906)</u>	<u>27,843,000</u>	<u>6,921,000</u>
Capital lease payable	515,892	93,000	(273,130)	335,762	277,542
Net pension liability	31,590,942	-	(7,357,883)	24,233,059	-
Compensated absences*	169,816	184	-	170,000	170,000
Early retirement payable	<u>2,883,680</u>	<u>560,126</u>	<u>(981,044)</u>	<u>2,462,762</u>	<u>941,118</u>
Total long-term debt	<u>\$ 69,505,236</u>	<u>\$ 653,310</u>	<u>\$ (15,113,963)</u>	<u>\$ 55,044,583</u>	<u>\$ 8,309,660</u>

*The compensated absences additions amount is net of reductions.

The annual requirements to retire outstanding bonds and loans as of June 30, 2018 are as follows:

Period Ending	Bonds		
	Principal	Interest	Total Bonds
June 30			
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>\$ 27,843,000</u>	<u>\$ 1,493,794</u>	<u>\$ 29,336,794</u>

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 6. Long-term Debt (Continued)

Long-term obligations as of June 30, 2018 consist of the following:

Bonds payable:

\$9,998,000 Series 2014 General Obligation Refunding Bonds payable in annual installments with interest of 1.90% paid semi-annually.	\$ 9,411,000
\$14,900,000 Series 2015A General Obligation Building Bonds payable in annual installments with interest of .5% to 2.25% paid semi-annually.	9,053,000
\$11,307,000 Series 2015B General Obligation Refunding Bonds payable in annual installments with interest of .7% to 2.6% paid semi-annually.	5,113,000
\$5,033,000 Series 2017 General Obligation Refunding Bonds payable in annual installments with interest of 1% to 2% paid semi-annually.	<u>4,266,000</u>

Total bonds payable	27,843,000
---------------------	------------

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 .	259,765
Lease payable to Caterpillar Financial Services, due in annual installments of \$21,235 through June 2022, with interest of 4.55% paid annually .	75,997

Net pension liability	24,233,059
-----------------------	------------

Compensated absences payable	170,000
------------------------------	---------

Early retirement payable	<u>2,462,762</u>
--------------------------	------------------

Total long-term debt	<u>\$ 55,044,583</u>
----------------------	----------------------

Due within one year	\$ 8,309,660
---------------------	--------------

Due in more than one year	<u>46,734,923</u>
---------------------------	-------------------

Total long-term debt	<u>\$ 55,044,583</u>
----------------------	----------------------

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 7. Capital Lease

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.

In 2018, the District entered into a lease agreement as lessee for financing a backhoe valued at \$93,000. The backhoe has an eight-year estimated useful life. This year, \$969 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, 2018, were as follows:

<u>Year Ending June 30</u>		
2019	\$	288,775
2020		21,235
2021		21,235
2022		<u>21,235</u>
Total remaining minimum lease payments		<u>352,480</u>
Less amount representing interest		<u>(16,718)</u>
Present value of minimum lease payments	\$	<u><u>335,762</u></u>

NOTE 8. Committed for Undistributed Reserve

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.

NOTE 9. Grants

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, 2018

NOTE 10. Risk Management

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.

NOTE 11. Retirement Plans

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.

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 11. Retirement Plans, Continued

Summary of Benefits by System

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

Summary of Benefits by System

System	Final average salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
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.

Contribution Rate Summary

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, 2018

NOTE 11. Retirement Plans, Continued

Contribution rates as of June 30, 2018 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
12 State School Div - Tier 1	6.00%	17.70%	N/A
112 State School Div - Tier 2	N/A	18.44%	1.58%
Noncontributory System			
16 State School Div - Tier 1	N/A	22.19%	1.50%
Tier 2 DC Only			
212 State and School	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, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 5,927,558	N/A
Contributory System	10,541	590
Tier 2 Public Employee System	1,089,487	-
Tier 2 DC Only System	132,653	N/A
Total Contributions	\$ 7,160,239	\$ 590

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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

At June 30, 2018, the District reported a net pension asset of \$0 and a net pension liability of \$24,233,059.

(Measurement Date): December 31, 2017

	Net Pension Asset	Net Pension Liability	Proportionat e Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 24,168,688	0.9883480%	0.9691294%	0.0192186%
Contributory System	-	16,688	0.2536067%	0.2296535%	0.0239532%
Tier 2 Public Employees System	-	47,683	0.5408270%	0.5058162%	0.0350108%
	\$ -	\$ 24,233,059			

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 11. Retirement Plans, Continued

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018, the District recognized pension expense of \$6,442,726. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,785	\$ 1,444,640
Changes in assumptions	6,166,595	188,520
Net difference between projected and actual earnings on pension plan investments	4,027,033	10,190,697
Changes in proportion and differences between contributions and proportionate share of contributions	317,175	132,049
Contributions subsequent to the measurement date	3,565,521	-
Total	<u>\$ 14,078,109</u>	<u>\$ 11,955,906</u>

\$3,565,521 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:

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2018	\$ 748,115
2019	1,331,013
2020	(1,348,996)
2021	(2,215,765)
2022	(10,244)
Thereafter	52,558

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 11. Retirement Plans, Continued

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 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, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 11. Retirement Plans, Continued

Discount rate: The discount rate used to measure the total pension liability was 6.95 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 6.95 percent from 7.20 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 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 52,770,471	\$ 24,168,688	\$ 263,354
Contributory System	219,933	16,688	(156,345)
Tier 2 Public Employee System	561,447	47,683	(348,502)
Total	<u>\$ 53,551,851</u>	<u>\$ 24,233,059</u>	<u>\$ (241,493)</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
- Traditional IRA Plan

IRON COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

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:

	2018	2017	2016
401(k) Plan			
Employer Contributions	\$ 631,334	\$ 591,453	\$ 549,644
Employee Contributions	\$ 556,908	\$ 546,940	\$ 544,923
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 39,134	\$ 31,783	\$ 27,814
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 95,773	\$ 63,008	\$ 49,702
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 550	\$ -	\$ -

This page is intentionally blank.

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%
	2018	0.9883480%	24,168,688	26,829,527	90.08%	89.2%
<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%
	2018	0.2536067%	16,688	57,703	28.92%	99.2%
<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%
	2018	0.5408270%	47,683	5,311,019	0.90%	97.4%

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

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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
Noncontributory System						
	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%
	2018	5,927,558	5,927,558	-	26,999,483	21.95%
Contributory System						
	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%
	2018	10,541	10,541	-	59,553	17.70%
Tier 2 Public Employees System *						
	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%
	2018	1,089,487	1,089,487	-	5,916,950	18.41%
Tier 2 Public Employees DC Only System *						
	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%
	2018	132,653	132,653	-	1,304,720	10.17%

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.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

IRON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2018

Changes in Assumptions:

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

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, 2018

	Special Revenue			Tax Increment Financing	Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Student Activities		
Assets					
Cash and cash equivalents	\$ 433,707	\$ 1,317,798	\$ 1,017,397	\$ -	\$ 2,768,902
Receivables					
Property taxes receivable	-	-	-	520,992	520,992
Other local	2,676	-	-	-	2,676
State of Utah	849	159,759	-	-	160,608
Federal government	127,979	-	-	-	127,979
Inventories	-	102,643	-	-	102,643
Total assets	<u>\$ 565,211</u>	<u>\$ 1,580,200</u>	<u>\$ 1,017,397</u>	<u>\$ 520,992</u>	<u>\$ 3,683,800</u>
Liabilities					
Accounts payable	\$ 380	\$ 186	\$ 23,670	\$ -	\$ 24,236
Accrued salaries, benefits and withholdings	61,938	41,491	-	-	103,429
Unearned revenue	-	70,216	-	-	70,216
Total liabilities	<u>62,318</u>	<u>111,893</u>	<u>23,670</u>	<u>-</u>	<u>197,881</u>
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	520,992	520,992
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,992</u>	<u>520,992</u>
Fund balances					
Nonspendable:					
Inventories	-	102,643	-	-	102,643
Restricted for:					
Non K-12 programs	24,615	-	-	-	24,615
Food services	-	1,365,664	-	-	1,365,664
Committed to:					
Student activities	-	-	993,727	-	993,727
Assigned to:					
Non K-12 programs	478,278	-	-	-	478,278
Total fund balances	<u>502,893</u>	<u>1,468,307</u>	<u>993,727</u>	<u>-</u>	<u>2,964,927</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 565,211</u>	<u>\$ 1,580,200</u>	<u>\$ 1,017,397</u>	<u>\$ 520,992</u>	<u>\$ 3,683,800</u>

IRON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			Tax Increment Financing	Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Student Activities		
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 3,608,825	\$ 3,608,825
Student fees	-	-	1,340,690	-	1,340,690
Vending and concessions	-	-	62,618	-	62,618
Fundraisers and donations	-	-	505,132	-	505,132
Earnings on investments	-	26,833	11,499	-	38,332
Other local sources	177,459	839,025	566,888	-	1,583,372
State aid	1,024,912	637,851	-	-	1,662,763
Federal aid	245,042	2,533,070	-	-	2,778,112
Total revenues	<u>1,447,413</u>	<u>4,036,779</u>	<u>2,486,827</u>	<u>3,608,825</u>	<u>11,579,844</u>
Expenditures					
Current:					
Instructional services	1,103,495	-	2,344,904	3,608,825	7,057,224
Supporting services:					
Students	187,280	-	-	-	187,280
Instructional staff	17,346	-	-	-	17,346
District administration	2,500	-	-	-	2,500
School administration	15,588	-	-	-	15,588
Operation and maintenance	40,368	-	-	-	40,368
Transportation	61,989	-	-	-	61,989
School food services	-	3,970,866	-	-	3,970,866
Total expenditures	<u>1,428,566</u>	<u>3,970,866</u>	<u>2,344,904</u>	<u>3,608,825</u>	<u>11,353,161</u>
Excess (deficiency) of revenues over (under) expenditures	18,847	65,913	141,923	-	226,683
Fund balances - beginning	<u>484,046</u>	<u>1,402,394</u>	<u>851,804</u>	<u>-</u>	<u>2,738,244</u>
Fund balances - ending	<u>\$ 502,893</u>	<u>\$ 1,468,307</u>	<u>\$ 993,727</u>	<u>\$ -</u>	<u>\$ 2,964,927</u>

FEDERAL AND STATE REPORTS

This page is intentionally blank.



**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, 2018, 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 28, 2018.

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. We did identify certain deficiencies in internal control, described in the accompanying findings and recommendations letter that we consider to be a significant deficiency.

2018-001 Audit Adjustments

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*.

Iron County School District's Response to Findings

The District's response to the finding identified in our audit as described in the accompanying management's response letter. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 28, 2018



**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, 2018. 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, 2018.

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 28, 2018

IRON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditors’ Results

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>
84.027, 84.173	Special Education Cluster (IDEA)

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, 2018

Section II – Financial Statement Findings

2018-001 Audit Adjustments

Criteria: Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a deficiency in the District’s internal controls.

Condition: A number of significant adjustments to the general ledger were required that were not initially identified by the District’s internal control. These included the recording of a capital lease, tax increment fund activity, and retainage payable reduction for the completion of the North Elementary.

Cause: Timing restraints and/or changes in accounting personnel may be the cause for various adjustments. Procedures for year-end adjustments may also need to be revised or improved in order to properly identify certain adjustments.

Effect: The District’s financial statements would not have been fairly stated in all material respects without the adjustments.

Recommendation: We recommend that management continue to review and understand the adjustments proposed by the auditor. We also recommend that the District continue to develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

Section III – Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV – Summary Schedule of Prior Audit Findings

No significant matters were noted.

IRON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Grantor Agency/Program	Federal CFDA Number	Pass-through Grantor's Program Number	Expenditures
U.S. Department of Agriculture			
Passed through the Utah State Office of Education:			
Child Nutrition Cluster			
National School Breakfast Program	10.553	8074	\$ 396,166
National School Lunch Program	10.555	8071	322,962
National School Lunch Program	10.555	8072	1,543,022
USDA Commodities - Food Donation	10.555		270,921
Total Child Nutrition Cluster			<u>2,533,071</u>
Total U.S. Department of Agriculture			<u>2,533,071</u>
U.S. Department of Education			
Direct Award:			
Indian Education	84.060A	7330	48,797
Passed through the Utah State Office of Education:			
Career Pathway	84.048A	6043	196,410
Vocational Education - Non-Traditional	84.048A	6944	10,000
Vocational Education - Leadership & Development	84.048A	6947	11,909
			<u>218,319</u>
Special Education Cluster (IDEA)			
I.D.E.A., Part B, Special Education Grants to States	84.027A	7524	1,642,481
I.D.E.A., Part B, Preschool Special Education	84.173A	7522	56,668
Total Special Education Cluster (IDEA)			<u>1,699,149</u>
Adult Education Prisons and Institutions	84.002A	7581	45,699
NCLB - Title I, Part A	84.010A	7801	2,114,835
NCLB - Migrant Education	84.011A	7830	11,526
NCLB - Neglected & Delinquent	84.013A	7840	20,285
Improving Teacher Quality State Grants	84.367A	7860	301,849
NCLB - Title III, Part A, English Language Acquisition	84.365A	7880	25,682
Rural and Low Income Schools	84.358B	7940	153,674
Total U.S. Department of Education			<u>4,639,815</u>
U.S. Department of Health and Human Services			
Passed through the Utah State Office of Education:			
Temporary Assistance for Needy Families	93.558	7350	142,841
Total U.S. Department of Health and Human Services			<u>142,841</u>
Total Expenditures of Federal Awards			<u>\$ 7,315,727</u>

IRON COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 General

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.

Note 2. Basis of Presentation

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 \$270,921 for the year ended June 30, 2018.

Note 3. Indirect Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate for fiscal year 2018.



**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

We have audited Iron County School District's compliance with the applicable 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, 2018.

State compliance requirements were tested for the year ended June 30, 2018 in the following areas:

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

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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 Compliance

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, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

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. 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 28, 2018



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:

2018-001 Audit Adjustments

Criteria: Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a deficiency in the District's internal controls.

Condition: A number of significant adjustments to the general ledger were required that were not initially identified by the District's internal control. These included the recording of a capital lease, tax increment fund activity, and retainage payable reduction for the completion of the North Elementary.

Cause: Timing restraints and/or changes in accounting personnel may be the cause for various adjustments. Procedures for year-end adjustments may also need to be revised or improved in order to properly identify certain adjustments.

Effect: The District's financial statements would not have been fairly stated in all material respects without the adjustments.

Recommendation: We recommend that management continue to review and understand the adjustments proposed by the auditor. We also recommend that the District continue to develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

COMPLIANCE AND OTHER MATTERS:

Compliance:

None Noted

Other Matters:

None Noted.

Responses

Please respond to the above Findings and Recommendations in letter form for submission to the State Auditor's office as required by state law.

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 28, 2018



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

November 29, 2018

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:

2018-001. Audit Adjustments

Our auditors noted that they made several adjustments to the general ledger that were not initially identified by our accounting internal control procedures. We have been in the process of replacing our comptroller who served in that capacity for over 25 years. Our new comptroller is learning very quickly but is in fact still learning. We appreciate our auditors pointing out areas where we can improve. We will continue to review and understand the adjustments identified by our auditors. We have already begun to develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

Sincerely,

Kent F. Peterson
School Business Administrator

Superintendent Shannon Dulaney **Business Administrator** Kent F. Peterson
Board Members: **President** Stephen Allen • **Vice President** Harold Haynie • Michelle Jorgenson • Michelle Lambert • Mary Ann Kemp

Iron County School District is committed to a policy of equal employment opportunity and does not discriminate in the terms, conditions, or privileges of employment on account of race, age, color, sex, national origin, physical or mental disability, or religion, or otherwise as may be prohibited by federal and state law.