

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2019

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Baxter Community School District

Officials

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

Jon Northrup	President	2021
Deborah Meyer	Board Member	2019
Colette Kunkel	Board Member	2019
Cory Robinson	Board Member	2021
Kimberly Tichy	Board Member	2019

School Officials

Todd Martin	Superintendent	2019
Julie McWhirter	District Secretary/Treasurer and Business Manager	2019
Ahlers & Cooney, P.C.	Attorney	2019

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Baxter Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baxter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2020 on our consideration of Baxter Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Baxter Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

April 21, 2020
Newton, Iowa



MANAGEMENT'S DISCUSSION AND ANALYSIS

Baxter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,527,974 in fiscal year 2018 to \$4,603,528 in fiscal year 2019, while General Fund expenditures increased from \$4,491,547 in fiscal year 2018 to \$4,852,315 in fiscal year 2019. Expenditures outpaced revenues resulting in a decrease in the District's General Fund balance from \$1,216,326 at June 30, 2018 to \$967,539 at June 30, 2019.
- The increase in General Fund revenues was mainly attributable to an increase in other revenue. The increase in expenditures was due primarily to an increase in support staff expenditures compared to fiscal year 2018.
- The District's total net position decreased from \$5,501,957 at June 30, 2018 to \$5,317,891 at June 30, 2019. Total revenues decreased from \$6,015,732 in fiscal year 2018 to \$6,014,210 in fiscal year 2019, a 0.03% decrease, while total expenses increased from \$5,883,007 in fiscal year 2018 to \$6,198,276 in fiscal year 2019, a 5.36% increase compared to the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

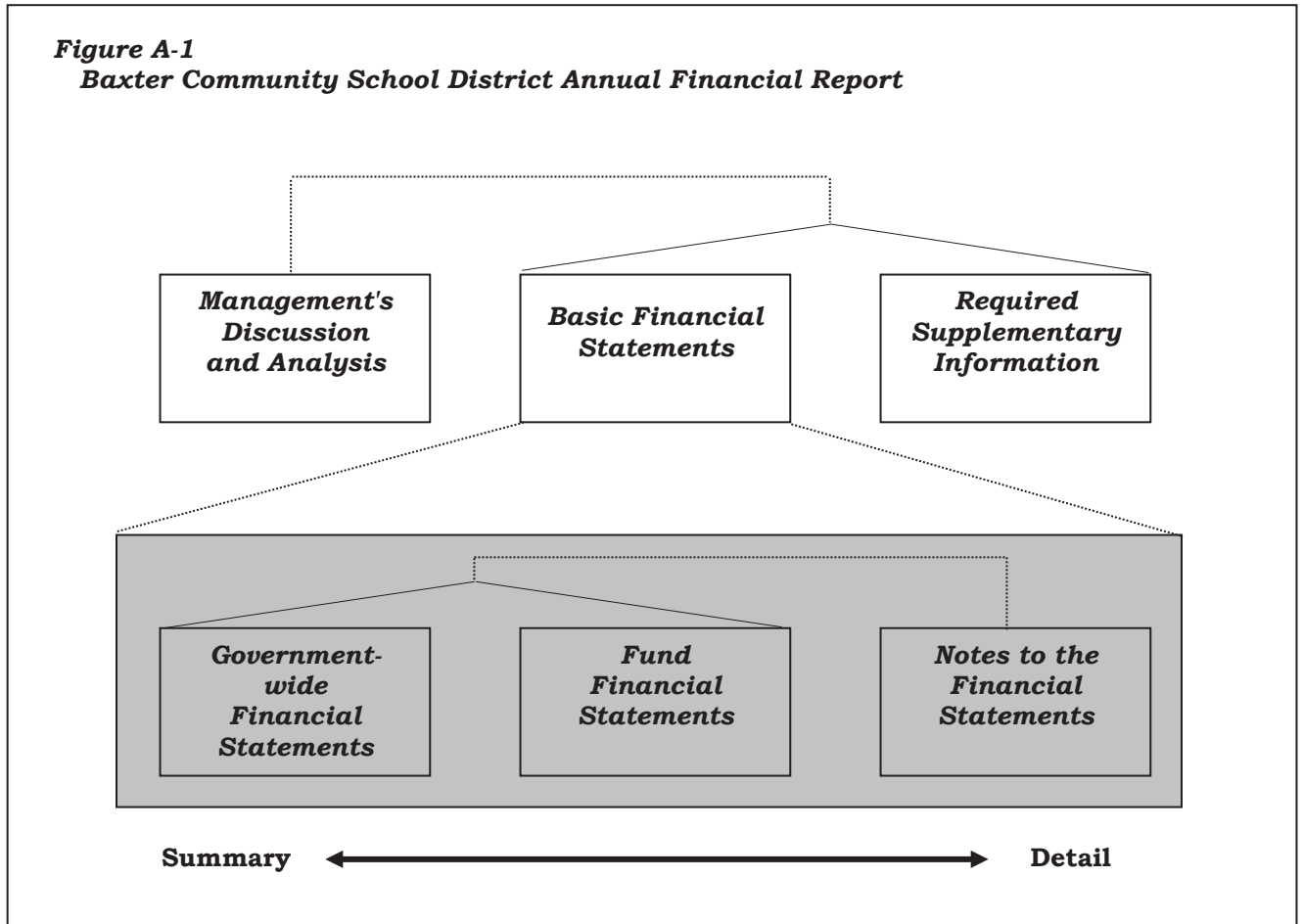


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3						
	Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
2019	2018	2019	2018	2019	2018	2018-19	
Current and other assets	\$12,501,014	4,745,713	38,586	43,656	12,539,600	4,789,369	161.82%
Capital assets	5,776,304	5,499,513	3,728	3,824	5,780,032	5,503,337	5.03%
Total assets	18,277,318	10,245,226	42,314	47,480	18,319,632	10,292,706	77.99%
Deferred outflows of resources	848,565	913,339	23,278	23,773	871,843	937,112	-6.96%
Long-term liabilities	11,096,222	3,440,481	73,863	68,703	11,170,085	3,509,184	218.31%
Other liabilities	807,945	430,716	16,307	14,386	824,252	445,102	85.18%
Total liabilities	11,904,167	3,871,197	90,170	83,089	11,994,337	3,954,286	203.32%
Deferred inflows of resources	1,875,587	1,771,869	3,660	1,706	1,879,247	1,773,575	5.96%
Net position:							
Net investment in capital assets	5,292,624	4,894,513	3,728	3,824	5,296,352	4,898,337	8.13%
Restricted	1,135,466	1,389,494	-	-	1,135,466	1,389,494	-18.28%
Unrestricted	(1,081,961)	(768,508)	(31,966)	(17,366)	(1,113,927)	(785,874)	-41.74%
Total net position	\$ 5,346,129	5,515,499	(28,238)	(13,542)	5,317,891	5,501,957	-3.35%

The District's total net position decreased 3.35%, or \$184,066 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$254,028, or 18.28%, from the prior year. The decrease in restricted net position was due in part to a decrease in the amount restricted for school infrastructure compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$328,053, or 41.74%. This decrease in unrestricted net position was primarily a result of a decrease in the General Fund unrestricted balance.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2019	2018	2019	2018	2019	2018	2018-19
Revenues:							
Program revenues:							
Charges for service	\$ 1,175,390	1,225,191	121,103	116,848	1,296,493	1,342,039	-3.39%
Operating grants, contributions and restricted interest	453,970	379,466	75,711	71,618	529,681	451,084	17.42%
General revenues:							
Property tax	1,696,478	1,620,981	-	-	1,696,478	1,620,981	4.66%
Income surtax	160,581	163,098	-	-	160,581	163,098	-1.54%
Statewide sales, services, and use tax	324,253	306,541	-	-	324,253	306,541	5.78%
Unrestricted state grants	1,887,494	2,028,953	-	-	1,887,494	2,028,953	-6.97%
Unrestricted investment earnings	25,252	13,084	-	-	25,252	13,084	93.00%
Other	91,451	86,279	2,527	3,673	93,978	89,952	4.48%
Total revenues	<u>5,814,869</u>	<u>5,823,593</u>	<u>199,341</u>	<u>192,139</u>	<u>6,014,210</u>	<u>6,015,732</u>	<u>-0.03%</u>
Program expenses:							
Instruction	3,380,343	3,488,884	-	-	3,380,343	3,488,884	-3.11%
Support services	2,258,708	1,846,326	3,313	3,314	2,262,021	1,849,640	22.30%
Non-instructional programs	-	-	210,724	198,354	210,724	198,354	6.24%
Other expenditures	345,188	346,129	-	-	345,188	346,129	-0.27%
Total expenses	<u>5,984,239</u>	<u>5,681,339</u>	<u>214,037</u>	<u>201,668</u>	<u>6,198,276</u>	<u>5,883,007</u>	<u>5.36%</u>
Change in net position	(169,370)	142,254	(14,696)	(9,529)	(184,066)	132,725	-238.68%
Net position beginning of year	<u>5,515,499</u>	<u>5,373,245</u>	<u>(13,542)</u>	<u>(4,013)</u>	<u>5,501,957</u>	<u>5,369,232</u>	<u>2.47%</u>
Net position end of year	<u>\$ 5,346,129</u>	<u>5,515,499</u>	<u>(28,238)</u>	<u>(13,542)</u>	<u>5,317,891</u>	<u>5,501,957</u>	<u>-3.35%</u>

In fiscal year 2019, local tax, statewide sales, services and use tax and unrestricted state grants accounted for 69.97% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 98.73% of the revenue from business type activities.

The District's total revenues were approximately \$6.01 million, of which approximately \$5.81 million was for governmental activities and approximately \$0.20 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.03% decrease in revenues and a 5.36% increase in expenses. The decrease in revenues is primarily due to a decrease in unrestricted state grants revenue received. The increase in expenses is primarily due to an increase in support services expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$5,814,869 and expenses were \$5,984,239 for the year ended June 30, 2019.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2019	2018	Change 2018-19	2019	2018	Change 2018-19
Instruction	\$ 3,380,343	3,488,884	-3.11%	1,984,273	2,030,100	-2.26%
Support services	2,258,708	1,846,326	22.34%	2,167,264	1,844,213	17.52%
Other expenses	345,188	346,129	-0.27%	203,342	202,369	0.48%
Totals	<u>\$ 5,984,239</u>	<u>5,681,339</u>	<u>5.33%</u>	<u>4,354,879</u>	<u>4,076,682</u>	<u>6.82%</u>

For the year ended June 30, 2019:

- The cost financed by users of the District's programs was \$1,175,390.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$453,970.
- The net cost of governmental activities was financed with \$1,696,478 in property tax, \$160,581 in income surtax, \$324,253 in statewide sales, services and use tax, \$1,887,494 in unrestricted state grants, \$25,252 in interest income and \$91,451 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2019 were \$199,341 and expenses were \$214,037. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$9,823,491, above last year's ending fund balances of \$2,453,600. The primary reason for the increase in combined fund balances is unexpended bond proceeds received in fiscal year 2019 which will be used to build a new facility as well as remodel the current buildings.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the result of many factors. Growth during the year in local revenues resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures. The balance in the General Fund decreased from \$1,216,326 to \$967,539 due in part to the increased expenditures in the support services function.
- The Capital Projects Fund balance increased due to the sale of \$8,025,000 of general obligation and revenue bonds during fiscal year 2019. The Fund ended fiscal year 2018 with a balance of \$930,156. The Fund ended fiscal year 2019 with a balance of \$8,503,864, consisting primarily of unexpended bond proceeds which will be expended as the construction and remodeling projects are completed.
- The District's Debt Service Fund balance increased from \$29,934 at June 30, 2018 to \$40,150 at June 30, 2019. The increase in fund balance is primarily due to an increase in local tax revenue during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from deficit \$13,542 at June 30, 2018 to deficit \$28,238 at June 30, 2019, representing a decrease of 108.52%. The decrease in net position is due primarily to an increase in benefit expenses compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$50,670 more than budgeted revenues, a variance of 0.85%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgeting practice, the certified budget was exceeded in the other expenditures function and in total during fiscal year 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had invested \$5,780,032, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 5.03% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$216,754.

The original cost of the District's capital assets was \$9,672,557. Governmental funds accounted for \$9,605,268 with the remaining \$67,289 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$492,869 at June 30, 2019, compared to \$0 at June 30, 2018. The increase resulted from construction projects started, but not completed, during the year..

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2019	2018	2019	2018	2019	2018	2018-19
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Construction in progress	492,869	-	-	-	492,869	-	100.00%
Buildings	4,864,749	5,014,665	-	-	4,864,749	5,014,665	-2.99%
Land improvements	48,263	54,275	-	-	48,263	54,275	-11.08%
Machinery and equipment	264,821	324,971	3,728	3,824	268,549	328,795	-18.32%
Total	\$ 5,776,304	5,499,513	3,728	3,824	5,780,032	5,503,337	5.03%

Long-Term Debt

At June 30, 2019, the District had \$8,300,000 in long-term debt outstanding (see Figure A-7). Of the total long-term debt outstanding, \$215,000 is due within one year. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

In December 2018, the District's voters authorized the issuance of \$5,950,000 of general obligation bonds to pay for the construction of a new building as well as remodeling two other buildings the District currently uses. Planning for the project started in fiscal year 2019 and the bonds were sold during fiscal year 2019 as well. In June 2019, the District issued \$2,300,000 of Statewide Sales, Services and Use Tax revenue bonds for the project. The District had total outstanding bonded indebtedness at June 30, 2019 of \$8,300,000.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	District	Change	Change
	June 30,	June 30,	June 30,
	2019	2018	2018-19
Revenue bonds	\$ 2,300,000	-	100.00%
General obligation bonds	6,000,000	605,000	891.74%
Total outstanding bonds	<u>\$ 8,300,000</u>	<u>605,000</u>	<u>1271.90%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie McWhirter, District Secretary/Treasurer and Business Manager, Baxter Community School District, 202 East State Street, Baxter, Iowa, 50028.



BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 10,337,732	36,627	10,374,359
Receivables:			
Property tax:			
Delinquent	4,137	-	4,137
Succeeding year	1,729,286	-	1,729,286
Income surtax	156,781	-	156,781
Due from other governments	270,319	-	270,319
Inventories	-	1,959	1,959
Unamortized net bond premiums/discounts	2,759	-	2,759
Capital assets not being depreciated:			
Land and construction in progress	598,471	-	598,471
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	5,177,833	3,728	5,181,561
Total assets	18,277,318	42,314	18,319,632
Deferred Outflows of Resources			
Pension related deferred outflows	723,993	18,263	742,256
OPEB related deferred outflows	124,572	5,015	129,587
Total deferred outflows of resources	848,565	23,278	871,843
Liabilities			
Accounts payable	365,335	-	365,335
Salaries and benefits payable	423,362	10,924	434,286
Accrued interest payable	19,248	-	19,248
Unearned revenue	-	5,383	5,383
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	215,000	-	215,000
Portion due after one year:			
General obligation bonds	5,785,000	-	5,785,000
Revenue bonds	2,300,000	-	2,300,000
Net pension liability	2,538,593	63,491	2,602,084
Total OPEB liability	257,629	10,372	268,001
Total liabilities	11,904,167	90,170	11,994,337
Deferred Inflows of Resources			
Unavailable property tax revenue	1,729,286	-	1,729,286
Pension related deferred inflows	146,301	3,660	149,961
Total deferred inflows of resources	1,875,587	3,660	1,879,247
Net Position			
Net investment in capital assets	5,292,624	3,728	5,296,352
Restricted for:			
Categorical funding	115,082	-	115,082
Debt service	20,902	-	20,902
Management levy purposes	216,947	-	216,947
Student activities	65,315	-	65,315
Support trust purposes	29,676	-	29,676
School infrastructure	528,367	-	528,367
Physical plant and equipment	159,177	-	159,177
Unrestricted	(1,081,961)	(31,966)	(1,113,927)
Total net position	\$ 5,346,129	(28,238)	5,317,891

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,050,090	757,939	49,961	(1,242,190)	-	(1,242,190)
Special	469,286	133,230	55,573	(280,483)	-	(280,483)
Other	860,967	203,228	196,139	(461,600)	-	(461,600)
	<u>3,380,343</u>	<u>1,094,397</u>	<u>301,673</u>	<u>(1,984,273)</u>	<u>-</u>	<u>(1,984,273)</u>
Support services:						
Student	91,317	-	-	(91,317)	-	(91,317)
Instructional staff	215,629	80,993	9,513	(125,123)	-	(125,123)
Administration	625,913	-	-	(625,913)	-	(625,913)
Operation and maintenance of plant	1,079,976	-	-	(1,079,976)	-	(1,079,976)
Transportation	245,873	-	938	(244,935)	-	(244,935)
	<u>2,258,708</u>	<u>80,993</u>	<u>10,451</u>	<u>(2,167,264)</u>	<u>-</u>	<u>(2,167,264)</u>
Long-term debt interest	47,414	-	-	(47,414)	-	(47,414)
Other expenditures:						
AEA flowthrough	141,846	-	141,846	-	-	-
Depreciation(unallocated)*	155,928	-	-	(155,928)	-	(155,928)
	<u>297,774</u>	<u>-</u>	<u>141,846</u>	<u>(155,928)</u>	<u>-</u>	<u>(155,928)</u>
Total governmental activities	<u>5,984,239</u>	<u>1,175,390</u>	<u>453,970</u>	<u>(4,354,879)</u>	<u>-</u>	<u>(4,354,879)</u>
Business type activities:						
Support services:						
Instructional staff	3,313	-	-	-	(3,313)	(3,313)
Non-instructional programs:						
Food service operations	210,724	121,103	75,711	-	(13,910)	(13,910)
Total business type activities	<u>214,037</u>	<u>121,103</u>	<u>75,711</u>	<u>-</u>	<u>(17,223)</u>	<u>(17,223)</u>
Total	<u>\$ 6,198,276</u>	<u>1,296,493</u>	<u>529,681</u>	<u>(4,354,879)</u>	<u>(17,223)</u>	<u>(4,372,102)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,273,818	-	1,273,818
Debt service				359,781	-	359,781
Capital outlay				62,879	-	62,879
Income surtax				160,581	-	160,581
Statewide sales, services and use tax				324,253	-	324,253
Unrestricted state grants				1,887,494	-	1,887,494
Unrestricted investment earnings				25,252	-	25,252
Other				91,451	2,527	93,978
Total general revenues				<u>4,185,509</u>	<u>2,527</u>	<u>4,188,036</u>
Changes in net position				(169,370)	(14,696)	(184,066)
Net position beginning of year				5,515,499	(13,542)	5,501,957
Net position end of year				<u>\$ 5,346,129</u>	<u>(28,238)</u>	<u>5,317,891</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,179,469	8,807,592	39,268	311,403	10,337,732
Receivables:					
Property tax:					
Delinquent	2,566	154	882	535	4,137
Succeeding year	971,484	101,782	412,020	244,000	1,729,286
Income surtax	121,941	34,840	-	-	156,781
Due from other governments	244,648	25,671	-	-	270,319
Total assets	\$ 2,520,108	8,970,039	452,170	555,938	12,498,255
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 35,782	329,553	-	-	365,335
Salaries and benefits payable	423,362	-	-	-	423,362
Total liabilities	459,144	329,553	-	-	788,697
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	971,484	101,782	412,020	244,000	1,729,286
Income surtax	121,941	34,840	-	-	156,781
Total deferred inflows of resources	1,093,425	136,622	412,020	244,000	1,886,067
Fund balances:					
Restricted for:					
Categorical funding	115,082	-	-	-	115,082
Debt service	-	-	40,150	-	40,150
Management levy purposes	-	-	-	216,947	216,947
Student activities	-	-	-	65,315	65,315
Support trust purposes	-	-	-	29,676	29,676
School infrastructure	-	8,344,687	-	-	8,344,687
Physical plant and equipment	-	159,177	-	-	159,177
Unassigned	852,457	-	-	-	852,457
Total fund balances	967,539	8,503,864	40,150	311,938	9,823,491
Total liabilities, deferred inflows of resources and fund balances	\$ 2,520,108	8,970,039	452,170	555,938	12,498,255

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)		\$ 9,823,491
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,776,304
Accounts receivable income surtax is not yet available to finance expenditures of the current year and, therefore, is recognized as a deferred inflow of resources in the governmental funds.		156,781
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(19,248)
Unamortized net bond premiums, discounts and issuance costs are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,759
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 848,565	
Deferred inflows of resources	<u>(146,301)</u>	702,264
Long-term liabilities, including general obligation bonds, revenue bonds payable, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(11,096,222)</u>
Net position of governmental activities(page 18)		<u><u>\$ 5,346,129</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,184,495	100,076	359,781	219,681	1,864,033
Tuition	868,903	-	-	-	868,903
Other	213,166	158	9,072	202,230	424,626
State sources	2,151,978	324,551	1,708	1,058	2,479,295
Federal sources	184,986	-	-	-	184,986
Total revenues	<u>4,603,528</u>	<u>424,785</u>	<u>370,561</u>	<u>422,969</u>	<u>5,821,843</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,931,824	1,776	-	26,355	1,959,955
Special	455,051	-	-	-	455,051
Other	657,913	-	-	206,917	864,830
	<u>3,044,788</u>	<u>1,776</u>	<u>-</u>	<u>233,272</u>	<u>3,279,836</u>
Support services:					
Student	102,618	-	-	-	102,618
Instructional staff	227,778	1,580	-	-	229,358
Administration	747,109	87,373	-	-	834,482
Operation and maintenance of plant	433,537	20,139	-	141,376	595,052
Transportation	154,639	20,353	-	13,567	188,559
	<u>1,665,681</u>	<u>129,445</u>	<u>-</u>	<u>154,943</u>	<u>1,950,069</u>
Capital outlay	-	972,081	-	-	972,081
Long-term debt:					
Principal	-	-	330,000	-	330,000
Interest and fiscal charges	-	-	30,345	-	30,345
	<u>-</u>	<u>-</u>	<u>360,345</u>	<u>-</u>	<u>360,345</u>
Other expenditures:					
AEA flowthrough	141,846	-	-	-	141,846
Total expenditures	<u>4,852,315</u>	<u>1,103,302</u>	<u>360,345</u>	<u>388,215</u>	<u>6,704,177</u>
Excess(Deficiency) of revenues over(under) expenditures	(248,787)	(678,517)	10,216	34,754	(882,334)
Other financing sources:					
Transfer in	-	2,300,000	-	-	2,300,000
Transfer out	-	(2,300,000)	-	-	(2,300,000)
Revenue bond issuance	-	2,300,000	-	-	2,300,000
General obligation bond issuance	-	5,725,000	-	-	5,725,000
Premium on bond issuance	-	284,031	-	-	284,031
Discount on general obligation bonds	-	(56,806)	-	-	(56,806)
Total other financing sources	<u>-</u>	<u>8,252,225</u>	<u>-</u>	<u>-</u>	<u>8,252,225</u>
Change in fund balances	(248,787)	7,573,708	10,216	34,754	7,369,891
Fund balances beginning of year	1,216,326	930,156	29,934	277,184	2,453,600
Fund balances end of year	<u>\$ 967,539</u>	<u>8,503,864</u>	<u>40,150</u>	<u>311,938</u>	<u>9,823,491</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 7,369,891

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

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

Capital outlay	\$ 492,869	
Depreciation expense	<u>(216,078)</u>	276,791

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (6,974)

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

Issued	(8,025,000)	
Repaid	<u>330,000</u>	(7,695,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (13,317)

Bond premiums, discounts and issuance costs are reported in governmental funds when incurred, however, those amounts are allocated over the life of the bonds in the Statement of Activities. (3,752)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 297,797

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

Pension expense	(358,069)	
Total OPEB liability and related expenses	<u>(36,737)</u>	<u>(394,806)</u>

Change in net position of governmental activities(page 19) \$ (169,370)

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 36,627
Inventories	1,959
Total current assets	38,586
Noncurrent assets:	
Capital assets, net of accumulated depreciation	3,728
Total assets	42,314
Deferred Outflows of Resources	
Pension related deferred outflows	18,263
OPEB related deferred outflows	5,015
Total deferred outflows of resources	23,278
Liabilities	
Current liabilities:	
Salaries and benefits payable	10,924
Unearned revenue	5,383
Total current liabilities	16,307
Noncurrent liabilities:	
Net pension liability	63,491
Total OPEB liability	10,372
Total noncurrent liabilities	73,863
Total liabilities	90,170
Deferred Inflows of Resources	
Pension related deferred inflows	3,660
Net Position	
Net investment in capital assets	3,728
Unrestricted	(31,966)
Total net position	\$ (28,238)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 121,103
Miscellaneous	2,527
Total operating revenues	123,630
Operating expenses:	
Support services:	
Instructional staff	
Other	3,313
Non-instructional programs:	
Food service operations:	
Salaries	71,137
Benefits	39,621
Supplies	98,854
Other	436
Depreciation	676
	210,724
Total operating expenses	214,037
Operating loss	(90,407)
Non-operating revenues:	
State sources	1,519
Federal sources	74,192
Total non-operating revenues	75,711
Change in net position	(14,696)
Net position beginning of year	(13,542)
Net position end of year	\$ (28,238)

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 122,875
Cash received from miscellaneous	2,527
Cash payments to employees for services	(103,000)
Cash payments to suppliers for goods or services	(85,396)
Net cash used in operating activities	(62,994)
Cash flows from non-capital financing activities:	
State grants received	1,519
Federal grants received	58,080
Net cash provided by non-capital financing activities	59,599
Cash flows from capital financing activities:	
Purchase of capital assets	(580)
Net decrease in cash and pooled investments	(3,975)
Cash and pooled investments beginning of year	40,602
Cash and pooled investments end of year	\$ 36,627
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (90,407)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,112
Depreciation	676
Decrease in inventories	1,095
Increase in salaries and benefits payable	149
Increase in unearned revenue	1,772
Increase in net pension liability	4,085
Increase in OPEB liability	1,075
Decrease in deferred outflows of resources	495
Increase in deferred inflows of resources	1,954
Net cash used in operating activities	\$ (62,994)

Non-cash investing, capital and other related financing activities:

During the year ended June 30, 2019, the District received \$16,112 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

Baxter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Baxter, Iowa, and the predominate agricultural territory in Jasper and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investments in the Iowa Schools Joint Investment Trust and Miles Capital Education which are valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

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

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

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

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

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

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

Unamortized Net Bond Premiums/Discounts - Net premiums, discounts and issuance costs associated with outstanding bond issues which are amortized using the straight-line method over the life of the bonds.

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that

would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District’s reporting period.

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

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

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

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

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

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

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

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budget and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2019, expenditures exceeded the amounts budgeted in the other expenditures function and the budget in total.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2019, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio and Miles Capital Education which are valued at an amortized cost of \$13 and \$8,251,862 respectively. There were no limitations or restrictions on withdrawals of the ISJIT or Miles Capital Education investments. The investments in ISJIT were rated AAAM by Standard's and Poor's Financial Services. The investments in Miles Capital Education are registered and not subject to rating.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Construction in progress	-	492,869	-	492,869
Total capital assets not being depreciated	105,602	492,869	-	598,471
Capital assets being depreciated:				
Buildings	7,806,234	-	-	7,806,234
Land improvements	401,179	-	-	401,179
Machinery and equipment	799,384	-	-	799,384
Total capital assets being depreciated	9,006,797	-	-	9,006,797
Less accumulated depreciation for:				
Buildings	2,791,569	149,916	-	2,941,485
Land improvements	346,904	6,012	-	352,916
Machinery and equipment	474,413	60,150	-	534,563
Total accumulated depreciation	3,612,886	216,078	-	3,828,964
Total capital assets being depreciated, net	5,393,911	(216,078)	-	5,177,833
Governmental activities capital assets, net	\$ 5,499,513	276,791	-	5,776,304
Business type activities:				
Machinery and equipment	\$ 66,709	580	-	67,289
Less accumulated depreciation	62,885	676	-	63,561
Business type activities capital assets, net	\$ 3,824	(96)	-	3,728

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	\$ 2,642
Support services:	
Operation and maintenance of plant	1,172
Transportation	56,336
	60,150
Unallocated depreciation	155,928
Total governmental activities depreciation expense	\$ 216,078
Business type activities:	
Food service operations	\$ 676

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 605,000	5,725,000	330,000	6,000,000	215,000
Revenue bonds	-	2,300,000	-	2,300,000	-
Net pension liability	2,604,543	-	65,950	2,538,593	-
Total OPEB liability	230,938	26,691	-	257,629	-
Total	<u>\$ 3,440,481</u>	<u>8,051,691</u>	<u>395,950</u>	<u>11,096,222</u>	<u>215,000</u>
Business type activities:					
Net pension liability	\$ 59,406	4,085	-	63,491	-
Total OPEB liability	9,297	1,075	-	10,372	-
Total	<u>\$ 68,703</u>	<u>5,160</u>	<u>-</u>	<u>73,863</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2019 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of June 4, 2019				Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2020	4.90%	\$ 155,000	13,895	5.00%	\$ 60,000	178,578	238,578	\$ 215,000	192,473	407,473
2021	5.00	120,000	6,000	5.00	90,000	193,600	283,600	210,000	199,600	409,600
2022	-	-	-	5.00	220,000	189,100	409,100	220,000	189,100	409,100
2023	-	-	-	5.00	230,000	178,100	408,100	230,000	178,100	408,100
2024	-	-	-	5.00	245,000	166,600	411,600	245,000	166,600	411,600
2025-2029	-	-	-	3.00-4.00	1,375,000	668,600	2,043,600	1,375,000	668,600	2,043,600
2030-2034	-	-	-	3.00	1,625,000	431,250	2,056,250	1,625,000	431,250	2,056,250
2035-2038	-	-	-	3.00	1,880,000	172,500	2,052,500	1,880,000	172,500	2,052,500
Total		<u>\$ 275,000</u>	<u>19,895</u>		<u>\$ 5,725,000</u>	<u>2,178,328</u>	<u>7,903,328</u>	<u>6,000,000</u>	<u>2,198,223</u>	<u>8,198,223</u>

Revenue Bonds

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

Year Ending June 30,	Bond Issue of June 27, 2019			
	Interest Rates	Principal	Interest	Total
2020	2.64%	\$ -	31,035	31,035
2021	2.64	205,000	58,014	263,014
2022	2.64	210,000	52,536	262,536
2023	2.64	215,000	46,926	261,926
2024	2.64	220,000	41,184	261,184
2025-2029	2.64	1,190,000	114,576	1,304,576
2030	2.64	260,000	3,432	263,432
Total		<u>\$ 2,300,000</u>	<u>347,703</u>	<u>2,647,703</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,300,000 of bonds issued in June 2019. The bonds were issued for the purpose of providing funds to build, furnish, and equip additions to and repair, remodel, equip, and improve existing school facilities, including site improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 81% of the statewide sales, service and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,647,703. For the current year, no principal or interest was paid on the bonds, and total statewide sales, services and use tax revenues were \$324,253.

(5) Pension Plan

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

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

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

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2019 were \$305,401.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of \$2,602,084 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the District's proportion was 0.041119%, which was an increase of 0.001127% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$371,803. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,267	58,811
Changes of assumptions	371,203	-
Net difference between projected and actual earnings on IPERS' investments	-	71,497
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	51,385	19,653
District contributions subsequent to the measurement date	305,401	-
Total	<u>\$ 742,256</u>	<u>149,961</u>

\$305,401 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 189,690
2021	101,037
2022	(12,511)
2023	7,800
2024	878
Total	<u>\$ 286,894</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Health Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 4,416,259	2,602,084	1,080,260

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

Payables to IPERS - At June 30, 2019, the District reported payables to IPERS of \$31,905 for legally required District contributions and \$21,259 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>53</u>
Total	<u><u>53</u></u>

Total OPEB Liability - The District's total OPEB liability of \$268,001 was measured as of June 30, 2019 and was determined by an actuarial valuation dated July 1, 2017.

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

Rate of inflation (effective June 30, 2019)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	3.25% per annum, including inflation.
Discount rate (effective July 1, 2017)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	8.0% initial rate decreasing by 0.25% annually to an ultimate rate of 5.0%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 Annuitant distinct mortality table adjusted to 2006 with MP-2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirroring those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 240,235
Changes for the year:	
Service cost	22,255
Interest	9,328
Benefit payments	<u>(3,817)</u>
Net changes	<u>27,766</u>
Total OPEB liability end of year	<u>\$ 268,001</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	\$ 294,713	268,001	243,601

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	<u>1% Decrease (7.00%)</u>	<u>Healthcare Cost Trend Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Total OPEB liability	\$ 234,709	268,001	307,642

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$42,033. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 74,512
Changes in assumptions	<u>55,075</u>
Total	<u>\$ 129,587</u>

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

Year Ended June 30,	Amount
2020	\$ 10,450
2021	10,450
2022	10,450
2023	10,450
2024	10,450
Thereafter	<u>77,337</u>
Total	<u><u>\$ 129,587</u></u>

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2019 were \$346,280.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

(8) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The District’s restricted fund balance for categorical funding at June 30, 2019 is comprised of the following programs:

Program	Amount
Teacher leadership state aid	\$ 48,874
Four-year-old preschool state aid	23,372
Successful progression for early readers	40,036
Professional development	<u>2,800</u>
Total	<u><u>\$ 115,082</u></u>

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$141,846 for the year ended June 30, 2019 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net Investment in Capital Assets	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	8,344,687	40,150	852,457
Capital assets, net of accumulated depreciation	5,776,304	-	-	-
General obligation bond capitalized indebtedness	(483,680)	-	-	-
Accrued interest payable	-	-	(19,248)	-
Income surtax receivable	-	-	-	156,781
Unamortized bond discounts/issuance costs	-	-	-	2,759
Unspent bond proceeds	-	(7,816,320)	-	-
Pension related deferred outflows	-	-	-	723,993
Net pension liability	-	-	-	(2,538,593)
Total OPEB liability	-	-	-	(257,629)
OPEB related deferred outflows	-	-	-	124,572
Pension related deferred inflows	-	-	-	(146,301)
Net position (Exhibit A)	<u>\$ 5,292,624</u>	<u>528,367</u>	<u>20,902</u>	<u>(1,081,961)</u>

(11) Tax Abatements

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

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Baxter	Urban renewal	<u>\$ 8,734</u>

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2019, this reimbursement amounted to \$3,677.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not exceed budgeted appropriations at the function level. During the year ended June 30, 2019, expenditures in the other expenditures function exceed the amounts budgeted and in total.

(13) Prospective Accounting Change

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



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,157,562	123,630	3,281,192	3,185,305	3,185,305	95,887
State sources	2,479,295	1,519	2,480,814	2,573,209	2,573,209	(92,395)
Federal sources	184,986	74,192	259,178	212,000	212,000	47,178
Total revenues	<u>5,821,843</u>	<u>199,341</u>	<u>6,021,184</u>	<u>5,970,514</u>	<u>5,970,514</u>	<u>50,670</u>
Expenditures/Expenses:						
Instruction	3,279,836	-	3,279,836	3,387,000	3,387,000	107,164
Support services	1,950,069	3,313	1,953,382	2,438,300	2,438,300	484,918
Non-instructional programs	-	210,724	210,724	228,000	228,000	17,276
Other expenditures	1,474,272	-	1,474,272	712,014	712,014	(762,258)
Total expenditures/expenses	<u>6,704,177</u>	<u>214,037</u>	<u>6,918,214</u>	<u>6,765,314</u>	<u>6,765,314</u>	<u>(152,900)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(882,334)	(14,696)	(897,030)	(794,800)	(794,800)	(102,230)
Other financing sources(uses), net	<u>8,252,225</u>	<u>-</u>	<u>8,252,225</u>	<u>-</u>	<u>-</u>	<u>8,252,225</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	7,369,891	(14,696)	7,355,195	(794,800)	(794,800)	8,149,995
Balances beginning of year	<u>2,453,600</u>	<u>(13,542)</u>	<u>2,440,058</u>	<u>2,527,556</u>	<u>2,527,556</u>	<u>(87,498)</u>
Balances end of year	<u>\$ 9,823,491</u>	<u>(28,238)</u>	<u>9,795,253</u>	<u>1,732,756</u>	<u>1,732,756</u>	<u>8,062,497</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2019, expenditures in the other expenditures function exceeded the amounts budgeted and in total.

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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.041119%	0.039992%	0.040586%	0.040567%	0.041137%
District's proportionate share of the net pension liability	\$ 2,602,084	2,663,949	2,554,183	2,004,225	1,631,452
District's covered payroll	\$ 3,090,444	2,985,182	2,912,576	2,779,234	2,691,825
District's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 305,401	275,977	266,577	260,093	248,186	240,380	218,542	207,330	173,508	159,847
Contributions in relation to the statutorily required contribution	(305,401)	(275,977)	(266,577)	(260,093)	(248,186)	(240,380)	(218,542)	(207,330)	(173,508)	(159,847)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,235,177	3,090,444	2,985,182	2,912,576	2,779,234	2,691,825	2,520,669	2,569,145	2,496,518	2,403,714
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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

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

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

	2019	2018
Service cost	\$ 22,255	21,555
Interest cost	9,328	8,324
Differences between expected and actual experiences	-	86,530
Changes in assumptions	-	63,957
Benefit payments	(3,817)	(1,168)
Net change in total OPEB liability	27,766	179,198
Total OPEB liability beginning of year	240,235	61,037
Total OPEB liability end of year	<u>\$ 268,001</u>	<u>240,235</u>
Covered-employee payroll	\$ 2,322,145	2,249,051
Total OPEB liability as a percentage of covered-employee payroll	11.54%	10.68%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

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



SUPPLEMENTARY INFORMATION

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

	Special Revenue			
	Student Activity	Management Levy	Support Trust	Total
Assets				
Cash and pooled investments	\$ 65,315	216,412	29,676	311,403
Receivables:				
Property tax:				
Delinquent	-	535	-	535
Succeeding year	-	244,000	-	244,000
Total assets	\$ 65,315	460,947	29,676	555,938
Liabilities, Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	244,000	-	244,000
Fund balances:				
Restricted for:				
Management levy purposes	-	216,947	-	216,947
Student activities	65,315	-	-	65,315
Support trust purposes	-	-	29,676	29,676
Total fund balances	65,315	216,947	29,676	311,938
Total liabilities, deferred inflows of resources and fund balances	\$ 65,315	460,947	29,676	555,938

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Total
	Student Activity	Management Levy	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ -	219,681	-	219,681
Other	200,926	1,304	-	202,230
State sources	-	1,058	-	1,058
Total revenues	<u>200,926</u>	<u>222,043</u>	<u>-</u>	<u>422,969</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	26,355	-	26,355
Other	206,917	-	-	206,917
Support services:				
Operation and maintenance of plant	-	141,376	-	141,376
Transportation	-	13,567	-	13,567
Total expenditures	<u>206,917</u>	<u>181,298</u>	<u>-</u>	<u>388,215</u>
Change in fund balances	(5,991)	40,745	-	34,754
Fund balances beginning of year	<u>71,306</u>	<u>176,202</u>	<u>29,676</u>	<u>277,184</u>
Fund balances end of year	<u>\$ 65,315</u>	<u>216,947</u>	<u>29,676</u>	<u>311,938</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Assets				
Cash and pooled investments	\$ 502,696	159,023	8,145,873	8,807,592
Receivables:				
Property tax:				
Delinquent	-	154	-	154
Succeeding year	-	101,782	-	101,782
Income surtax	-	34,840	-	34,840
Due from other governments	25,671	-	-	25,671
Total assets	\$ 528,367	295,799	8,145,873	8,970,039
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	329,553	329,553
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	101,782	-	101,782
Income surtax	-	34,840	-	34,840
Total deferred inflows of resources	-	136,622	-	136,622
Fund balances:				
Restricted for:				
School infrastructure	528,367	-	7,816,320	8,344,687
Physical plant and equipment	-	159,177	-	159,177
Total fund balances	528,367	159,177	7,816,320	8,503,864
Total liabilities, deferred inflows of resources and fund balances	\$ 528,367	295,799	8,145,873	8,970,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	100,076	-	100,076
Other	-	-	158	158
State sources	324,253	298	-	324,551
Total revenues	324,253	100,374	158	424,785
Expenditures:				
Current:				
Instruction:				
Regular	-	1,776	-	1,776
Support services:				
Instructional staff	1,580	-	-	1,580
Administration	68,873	18,500	-	87,373
Operation and maintenance of plant	20,139	-	-	20,139
Transportation	-	20,353	-	20,353
Capital outlay	533,520	2,498	436,063	972,081
Total expenditures	624,112	43,127	436,063	1,103,302
Excess(Deficiency) of revenues over(under) expenditures	(299,859)	57,247	(435,905)	(678,517)
Other financing sources(uses):				
Transfers in	-	-	2,300,000	2,300,000
Transfers out	(2,300,000)	-	-	(2,300,000)
Revenue bond issuance	2,300,000	-	-	2,300,000
General obligation bond issuance	-	-	5,725,000	5,725,000
Premium on general bond issuance	-	-	284,031	284,031
Discount on general obligation bonds	-	-	(56,806)	(56,806)
Total other financing sources	-	-	8,252,225	8,252,225
Change in fund balances	(299,859)	57,247	7,816,320	7,573,708
Fund balances beginning of year	828,226	101,930	-	930,156
Fund balances end of year	\$ 528,367	159,177	7,816,320	8,503,864

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama/speech	\$ 5,519	2,703	3,695	-	4,527
Trivia Fund	164	2,005	1,517	-	652
Bolts Book Club	264	874	1,138	-	-
Serv Learn Environ Group	150	-	64	-	86
Serv Learn Child Dev Group	489	1,083	1,104	-	468
FCCLA	1,349	411	171	-	1,589
History Club	644	35	154	-	525
Serv Learn Vet Appreciation Group	194	50	-	-	244
Stat tech team	273	480	63	-	690
Vocal music	420	-	-	(420)	-
Instrumental music	346	-	-	(346)	-
Music	-	11,106	10,669	766	1,203
Hasselbrink basketball	858	5,168	5,717	-	309
Daye baseball	379	375	566	-	188
Applegate cheer	3,610	6,468	5,778	-	4,300
Girls track	40	620	16	-	644
Baxter Athletics	33,697	18,335	23,962	-	28,070
CMB athletics	-	-	-	-	-
Hall of fame	-	617	617	-	-
Bolts boys basketball	-	4,683	3,692	-	991
Hasselbrink golf	15	370	220	-	165
Padget basketball	1,799	9,326	9,471	-	1,654
Ranck volleyball	759	2,970	1,947	-	1,782
Bolts football	-	15,414	15,138	-	276
Luther football	613	16,047	15,594	-	1,066
Beeler Wrestling	-	4,652	3,863	-	789
Bolts baseball	-	5,702	5,702	-	-
Berry softball	90	100	66	-	124
Bucklin baseball	-	100	-	-	100
Bolts boys track	-	4,721	4,134	-	587
Russell track	914	2,788	2,982	-	720
Bolts golf	-	1,336	1,336	-	-
Bolts wrestling	-	9,524	9,524	-	-
Softball	2,731	9,932	11,261	-	1,402
Bolts girls basketball	-	6,685	6,685	-	-
Cross country	469	4,147	4,221	-	395
Bolts volleyball	-	3,719	3,719	-	-
Bolts softball	-	8,848	8,848	-	-
Bolts girls track	-	4,195	4,195	-	-
Bolts cross country	-	1,559	1,559	-	-
Swalwell athletic donation	1,645	579	(1)	-	2,225
Bolts cheerleading	-	7	7	-	-
Drill team	8	1,384	1,366	-	26
Student council	6,179	8,583	10,623	-	4,139
Class of 2021	40	250	-	-	290
Honor society	-	458	458	-	-
Art club	919	570	72	-	1,417
Class of 2019	504	5,363	4,933	-	934
Class of 2020	-	4,665	1,927	-	2,738
Interest	-	667	667	-	-
Yearbook	6,225	11,252	17,477	-	-
Total	\$ 71,306	200,926	206,917	-	65,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Local sources:										
Local tax	\$ 1,864,033	1,777,662	1,707,113	1,661,957	1,597,265	1,838,331	2,053,584	1,869,511	1,906,598	1,736,270
Tuition	868,903	835,657	725,634	616,333	589,795	550,061	446,777	449,299	447,630	393,026
Other	424,626	489,147	281,407	222,168	279,371	249,874	272,899	357,049	334,597	258,832
State sources	2,479,295	2,577,815	2,658,896	2,604,110	2,575,984	2,509,233	2,332,328	2,445,064	1,958,552	1,775,379
Federal sources	184,986	136,895	125,576	129,099	114,488	115,038	134,611	153,541	306,966	322,827
Total	\$ 5,821,843	5,817,176	5,498,626	5,233,667	5,156,903	5,262,537	5,240,199	5,274,464	4,954,343	4,486,334
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,959,955	1,992,494	1,834,853	1,829,602	1,738,732	1,742,403	1,734,857	1,819,644	1,748,316	1,485,428
Special	455,051	391,412	377,028	369,651	348,498	363,623	419,456	442,950	351,381	343,217
Other	864,830	915,748	769,994	744,315	774,638	729,703	625,915	670,589	481,706	493,505
Support services:										
Student	102,618	98,904	120,415	105,411	98,531	99,556	133,325	118,322	153,220	159,454
Instructional staff	229,358	122,384	138,129	143,323	123,682	114,243	136,153	120,383	147,906	136,881
Administration	834,482	663,230	657,046	654,903	639,524	596,857	703,539	649,141	601,104	604,441
Operation and maintenance of plant	595,052	613,235	663,866	449,461	585,813	448,244	451,130	384,412	446,470	402,519
Transportation	188,559	350,215	235,404	125,698	151,674	199,764	165,099	258,483	157,478	193,501
Non-instructional programs	-	-	-	4,962	-	-	-	-	-	-
Capital outlay	972,081	167,394	57,759	47,342	160,924	238,775	108,296	100,442	85,676	100,847
Long-term debt:										
Principal	330,000	260,000	310,000	205,000	275,000	360,000	345,000	300,000	285,000	321,500
Interest and fiscal charges	30,345	42,900	58,087	67,313	80,102	96,343	109,565	120,685	132,986	142,134
Other expenditures:										
AEA flow-through	141,846	143,760	142,453	143,799	144,960	142,777	142,157	143,190	142,721	142,330
Total	\$ 6,704,177	5,761,676	5,365,034	4,890,780	5,122,078	5,132,288	5,074,492	5,128,241	4,733,964	4,525,757

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

To the Board of Education of Baxter Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter Community School District as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 21, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-19 that we consider to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Baxter Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Baxter Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

April 21, 2020
Newton, Iowa

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-19 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - handling and recording cash, posting and reconciling.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - writing, approving, and posting.
- 7) School lunch program - journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will continue to review the control procedures to obtain maximum segregation of duties whenever feasible.

Conclusion - Response accepted.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019

Part II: Other Findings Related to Required Statutory Reporting:

II-A-19 Certified Budget - Expenditures for the year ended June 30, 2019 exceeded the amounts budgeted in the other expenditure function and in total.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will ensure an amendment to the budget is done accordingly.

Conclusion - Response accepted.

II-B-19 Questionable Disbursements - During our audit we noted expenditures we believe may not meet public purpose as defined in the Attorney General's opinion dated April 25, 1979, as follows:

Late Fee/ Interest Charges - We noted instances of the District being subjected to late fees and interest charges on the District's credit cards. Late fees and interest charges associated with late payments do not appear to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review its procedures in place and make any necessary adjustments to ensure District credit card bills are paid in a timely manner to avoid late fees and interest to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District will review credit card payment procedures with appropriate personnel to ensure late charges and/or interest charges are not incurred.

Conclusion - Response accepted.

Sales Tax - We noted instances of the District being charged sales tax on purchases made with a District credit card. As the District is a tax-exempt entity, payment of sales tax does not appear to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

Response - The district is concentrating its efforts to educate district credit card users in mitigating sales tax charges in the state of Iowa, however, it is the district's understanding that sales tax charges from outside of the state are enforceable and will continue to have those charges.

Conclusion - Response accepted.

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

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

- II-E-19 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-19 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-19 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-19 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-19 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-19 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-19 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-19 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 828,226
Revenues:		
Sales tax revenues	\$ 324,253	
Sale of long-term debt	2,300,000	2,624,253
		3,452,479
Expenditures/transfers out:		
School infrastructure	680	
Equipment	83,025	
Other	540,407	
Transfer out	2,300,000	2,924,112
Ending Balance		\$ 528,367

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