

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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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	2017
Deborah Meyer	Board Member	2019
Colette Kunkel	Board Member	2019
Cory Robinson	Board Member	2017
Kimberly Tichy	Board Member	2019

School Officials

Todd Martin	Superintendent	2017
Julie McWhirter	District Secretary/Treasurer and Business Manager	2017
Ahlers & Cooney, P.C.	Attorney	2017

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of 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, 2017, 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, 2017, 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 Funding Progress for the Retiree Health Plan and Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 15 and 44 through 50 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, 2016 (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 March 23, 2018 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.

March 23, 2018
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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,235,747 in fiscal year 2016 to \$4,355,146 in fiscal year 2017, while General Fund expenditures increased from \$4,234,136 in fiscal year 2016 to \$4,294,290 in fiscal year 2017. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from \$1,119,043 at June 30, 2016 to \$1,179,899 at June 30, 2017.
- The increase in General Fund revenues was mainly attributable to an increase in tuition revenue. The increase in expenditures was due primarily to an increase in support services expenditures compared to fiscal year 2016.
- The District's total net position increased from \$4,993,371 at June 30, 2016 to \$5,354,740 at June 30, 2017. Total revenues increased from \$5,420,346 in fiscal year 2016 to \$5,722,948 in fiscal year 2017, a 5.58% increase, while total expenses increased from \$5,027,634 in fiscal year 2016 to \$5,361,579 in fiscal year 2017, a 6.64% 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 services 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 Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan.

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.

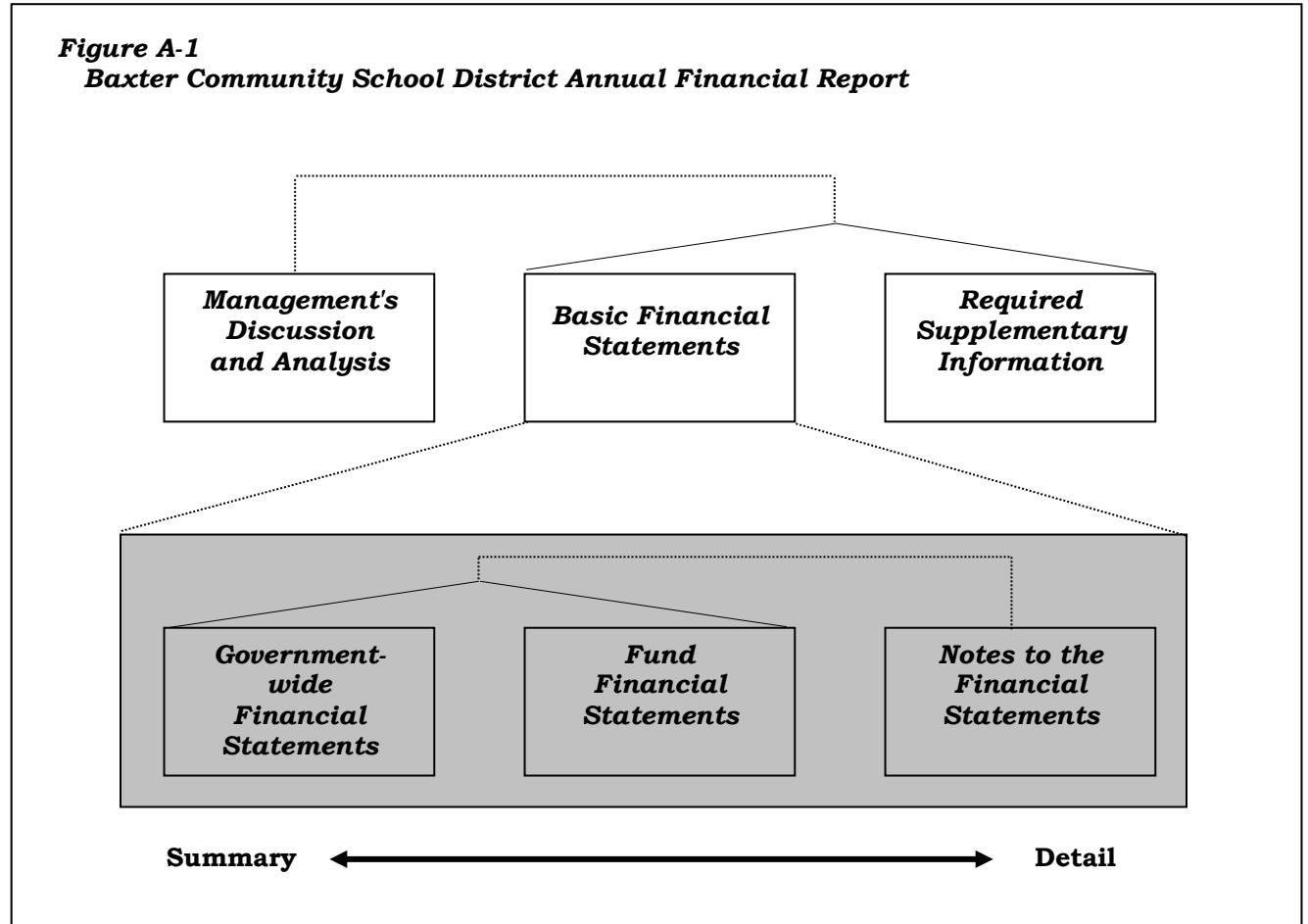


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2017 compared to June 30, 2016.

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,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 4,630,659	4,380,199	50,213	38,148	4,680,872	4,418,347	5.94%
Capital assets	5,535,524	5,581,728	8,086	10,698	5,543,610	5,592,426	-0.87%
Total assets	<u>10,166,183</u>	<u>9,961,927</u>	<u>58,299</u>	<u>48,846</u>	<u>10,224,482</u>	<u>10,010,773</u>	<u>2.13%</u>
Deferred outflows of resources	<u>724,676</u>	<u>373,234</u>	<u>18,129</u>	<u>9,324</u>	<u>742,805</u>	<u>382,558</u>	<u>94.17%</u>
Long-term liabilities	3,428,903	3,196,027	65,809	51,937	3,494,712	3,247,964	7.60%
Other liabilities	451,310	430,232	15,327	13,137	466,637	443,369	5.25%
Total liabilities	<u>3,880,213</u>	<u>3,626,259</u>	<u>81,136</u>	<u>65,074</u>	<u>3,961,349</u>	<u>3,691,333</u>	<u>7.31%</u>
Deferred inflows of resources	<u>1,650,448</u>	<u>1,705,079</u>	<u>750</u>	<u>3,548</u>	<u>1,651,198</u>	<u>1,708,627</u>	<u>-3.36%</u>
Net position:							
Net investment in capital assets	4,670,524	4,406,728	8,086	10,698	4,678,610	4,417,426	5.91%
Restricted	1,400,887	1,270,237	-	-	1,400,887	1,270,237	10.29%
Unrestricted	<u>(711,213)</u>	<u>(673,142)</u>	<u>(13,544)</u>	<u>(21,150)</u>	<u>(724,757)</u>	<u>(694,292)</u>	<u>-4.39%</u>
Total net position	<u>\$ 5,360,198</u>	<u>5,003,823</u>	<u>(5,458)</u>	<u>(10,452)</u>	<u>5,354,740</u>	<u>4,993,371</u>	<u>7.24%</u>

The District's total net position increased 7.24%, or \$361,369 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 increased \$130,650, or 10.29%, over the prior year. The increase in restricted net position was due in part to an increase in the amount restricted for school infrastructure.

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 \$30,465, or 4.39%. This decrease in unrestricted net position was primarily a result of an increase in the net pension liability as compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 941,068	771,460	123,908	124,095	1,064,976	895,555	18.92%
Operating grants, contributions and restricted interest	353,827	402,938	82,385	86,956	436,212	489,894	-10.96%
General revenues:							
Property tax	1,543,534	1,502,578	-	-	1,543,534	1,502,578	2.73%
Income surtax	176,499	130,847	-	-	176,499	130,847	34.89%
Statewide sales, services, and use tax	331,017	326,796	-	-	331,017	326,796	1.29%
Unrestricted state grants	2,099,983	2,004,710	-	-	2,099,983	2,004,710	4.75%
Unrestricted investment earnings	8,046	7,290	-	-	8,046	7,290	10.37%
Other	57,572	58,516	5,109	4,160	62,681	62,676	0.01%
Total revenues	<u>5,511,546</u>	<u>5,205,135</u>	<u>211,402</u>	<u>215,211</u>	<u>5,722,948</u>	<u>5,420,346</u>	<u>5.58%</u>
Program expenses:							
Instruction	3,038,584	2,960,327	-	-	3,038,584	2,960,327	2.64%
Support services	1,753,934	1,494,058	2,527	2,030	1,756,461	1,496,088	17.40%
Non-instructional programs	-	4,962	205,530	194,906	205,530	199,868	2.83%
Other expenditures	361,004	371,351	-	-	361,004	371,351	-2.79%
Total expenses	<u>5,153,522</u>	<u>4,830,698</u>	<u>208,057</u>	<u>196,936</u>	<u>5,361,579</u>	<u>5,027,634</u>	<u>6.64%</u>
Excess of revenues over expenses	358,024	374,437	3,345	18,275	361,369	392,712	-7.98%
Transfers	(1,649)	-	1,649	-	-	-	0.00%
Change in net position	356,375	374,437	4,994	18,275	361,369	392,712	-7.98%
Net position beginning of year	<u>5,003,823</u>	<u>4,629,386</u>	<u>(10,452)</u>	<u>(28,727)</u>	<u>4,993,371</u>	<u>4,600,659</u>	<u>8.54%</u>
Net position end of year	<u>\$ 5,360,198</u>	<u>5,003,823</u>	<u>(5,458)</u>	<u>(10,452)</u>	<u>5,354,740</u>	<u>4,993,371</u>	<u>7.24%</u>

In fiscal year 2017, local tax, statewide sales, services and use tax and unrestricted state grants accounted for 75.32% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 97.58% of the revenue from business type activities.

The District's total revenues were approximately \$5.72 million, of which approximately \$5.51 million was for governmental activities and approximately \$0.21 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.58% increase in revenues and a 6.64% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,511,546 and expenses were \$5,153,522 for the year ended June 30, 2017. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2017 compared to those expenses for the year ended June 30, 2016.

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 3,038,584	2,960,327	2.64%	1,914,147	1,936,213	-1.14%
Support services	1,753,934	1,494,058	17.39%	1,725,929	1,492,535	15.64%
Non-instructional programs	-	4,962	-100.00%	-	-	0.00%
Other expenses	361,004	371,351	-2.79%	218,551	227,552	-3.96%
Totals	<u>\$ 5,153,522</u>	<u>4,830,698</u>	<u>6.68%</u>	<u>3,858,627</u>	<u>3,656,300</u>	<u>5.53%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$941,068.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$353,827.
- The net cost of governmental activities was financed with \$1,543,534 in property tax, \$176,499 in income surtax, \$331,017 in statewide sales, services and use tax, \$2,099,983 in unrestricted state grants, \$8,046 in interest income and \$57,572 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$211,402 and expenses were \$208,057. 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, the 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 \$2,398,100, above last year's ending fund balances of \$2,243,115. The primary reason for the increase in combined fund balances is the improvement that occurred in the Capital Projects Fund and General Fund balances during the year.

Governmental Fund Highlights

- The improvement in the General Fund balance from \$1,119,043 at June 30, 2016 to \$1,179,899 at June 30, 2017 is the product of many factors. The increase in revenues, led by an increase in tuition revenues, outpaced the increase in expenditures, which occurred primarily in the support services functional area, resulting in a net increase of \$60,856, or 5.44% in the General Fund balance.

- The Capital Projects Fund balance increased from \$907,378 at June 30, 2016 to \$979,957 at June 30, 2017. During fiscal year 2017, the Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased \$64,656 and the Capital Projects: Physical Plant and Equipment Levy Fund balance increased \$7,923.
- The District's Debt Service Fund balance increased from \$20,517 at June 30, 2016 to \$24,165 at June 30, 2017.

Proprietary Fund Highlights

The School Nutrition Fund net position improved from deficit \$10,452 at June 30, 2016 to deficit \$5,458 at June 30, 2017, representing an increase of 47.78%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$57,444 more than budgeted revenues, a variance of 1.02%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$5,543,610, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.87% 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 \$200,947.

The original cost of the District's capital assets was \$9,170,096. Governmental funds accounted for \$9,103,387 with the remaining \$66,709 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings, net of accumulated depreciation, totaled \$5,164,581 at June 30, 2017, compared to \$5,260,039 at June 30, 2016. The decrease resulted from annual depreciation expense applied during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Buildings	5,164,581	5,260,039	-	-	5,164,581	5,260,039	-1.81%
Land improvements	61,212	68,150	-	-	61,212	68,150	-10.18%
Machinery and equipment	204,129	147,937	8,086	10,698	212,215	158,635	33.78%
Total	\$ 5,535,524	5,581,728	8,086	10,698	5,543,610	5,592,426	-0.87%

Long-Term Debt

At June 30, 2017, the District had \$865,000 of outstanding general obligation bonds. This represents a decrease of 26.38% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	District	Change	Change
	June 30,	June 30,	June 30,
	2017	2016	2016-17
General obligation bonds	\$ 865,000	1,175,000	-26.38%

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, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,655,342	48,024	2,703,366
Receivables:			
Property tax:			
Delinquent	9,136	-	9,136
Succeeding year	1,620,715	-	1,620,715
Income surtax	157,338	-	157,338
Due from other governments	177,865	-	177,865
Inventories	-	2,189	2,189
Unamortized net bond premiums/discounts	10,263	-	10,263
Capital assets not being depreciated:			
Land	105,602	-	105,602
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	5,429,922	8,086	5,438,008
Total assets	10,166,183	58,299	10,224,482
Deferred Outflows of Resources			
Pension related deferred outflows	724,676	18,129	742,805
Liabilities			
Accounts payable	28,261	-	28,261
Salaries and benefits payable	415,902	11,536	427,438
Advances from grantors	80	-	80
Accrued interest payable	7,067	-	7,067
Unearned revenue	-	3,791	3,791
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	145,000	-	145,000
Portion due after one year:			
General obligation bonds	720,000	-	720,000
Net pension liability	2,492,181	62,002	2,554,183
Net OPEB liability	71,722	3,807	75,529
Total liabilities	3,880,213	81,136	3,961,349
Deferred Inflows of Resources			
Unavailable property tax revenue	1,620,715	-	1,620,715
Pension related deferred inflows	29,733	750	30,483
Total deferred inflows of resources	1,650,448	750	1,651,198
Net Position			
Net investment in capital assets	4,670,524	8,086	4,678,610
Restricted for:			
Categorical funding	189,753	-	189,753
Debt service	17,098	-	17,098
Management levy purposes	127,421	-	127,421
Student activities	56,982	-	56,982
Support trust purposes	29,676	-	29,676
School infrastructure	734,129	-	734,129
Physical plant and equipment	245,828	-	245,828
Unrestricted	(711,213)	(13,544)	(724,757)
Total net position	\$ 5,360,198	(5,458)	5,354,740

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,878,033	645,382	54,873	(1,177,778)	-	(1,177,778)
Special	382,273	99,626	32,341	(250,306)	-	(250,306)
Other	778,278	169,680	122,535	(486,063)	-	(486,063)
	<u>3,038,584</u>	<u>914,688</u>	<u>209,749</u>	<u>(1,914,147)</u>	<u>-</u>	<u>(1,914,147)</u>
Support services:						
Student	122,199	-	-	(122,199)	-	(122,199)
Instructional staff	139,541	6,611	-	(132,930)	-	(132,930)
Administration	666,577	-	-	(666,577)	-	(666,577)
Operation and maintenance of plant	637,941	-	-	(637,941)	-	(637,941)
Transportation	187,676	19,769	1,625	(166,282)	-	(166,282)
	<u>1,753,934</u>	<u>26,380</u>	<u>1,625</u>	<u>(1,725,929)</u>	<u>-</u>	<u>(1,725,929)</u>
Long-term debt interest	59,391	-	-	(59,391)	-	(59,391)
Other expenditures:						
AEA flowthrough	142,453	-	142,453	-	-	-
Depreciation(unallocated)*	159,160	-	-	(159,160)	-	(159,160)
	<u>301,613</u>	<u>-</u>	<u>142,453</u>	<u>(159,160)</u>	<u>-</u>	<u>(159,160)</u>
Total governmental activities	<u>5,153,522</u>	<u>941,068</u>	<u>353,827</u>	<u>(3,858,627)</u>	<u>-</u>	<u>(3,858,627)</u>
Business type activities:						
Support services:						
Administration	2,527	-	-	-	(2,527)	(2,527)
Non-instructional programs:						
Food service operations	205,530	123,908	82,385	-	763	763
Total business type activities	<u>208,057</u>	<u>123,908</u>	<u>82,385</u>	<u>-</u>	<u>(1,764)</u>	<u>(1,764)</u>
Total	<u>\$ 5,361,579</u>	<u>1,064,976</u>	<u>436,212</u>	<u>(3,858,627)</u>	<u>(1,764)</u>	<u>(3,860,391)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 1,119,085	-	1,119,085
Debt service				367,515	-	367,515
Capital outlay				56,934	-	56,934
Income surtax				176,499	-	176,499
Statewide sales, services and use tax				331,017	-	331,017
Unrestricted state grants				2,099,983	-	2,099,983
Unrestricted investment earnings				8,046	-	8,046
Other				57,572	5,109	62,681
Transfers				(1,649)	1,649	-
Total general revenues and transfers				<u>4,215,002</u>	<u>6,758</u>	<u>4,221,760</u>
Changes in net position				356,375	4,994	361,369
Net position beginning of year				<u>5,003,823</u>	<u>(10,452)</u>	<u>4,993,371</u>
Net position end of year				<u>\$ 5,360,198</u>	<u>(5,458)</u>	<u>5,354,740</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, 2017

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,453,867	966,570	22,033	212,872	2,655,342
Receivables:					
Property tax:					
Delinquent	5,468	329	2,132	1,207	9,136
Succeeding year	1,059,281	58,534	302,900	200,000	1,620,715
Income surtax	122,374	34,964	-	-	157,338
Due from other governments	150,326	27,539	-	-	177,865
Total assets	\$ 2,791,316	1,087,936	327,065	414,079	4,620,396
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 13,780	14,481	-	-	28,261
Salaries and benefits payable	415,902	-	-	-	415,902
Advances from grantors	80	-	-	-	80
Total liabilities	429,762	14,481	-	-	444,243
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,059,281	58,534	302,900	200,000	1,620,715
Income surtax	122,374	34,964	-	-	157,338
Total deferred inflows of resources	1,181,655	93,498	302,900	200,000	1,778,053
Fund balances:					
Restricted for:					
Categorical funding	189,753	-	-	-	189,753
Debt service	-	-	24,165	-	24,165
Management levy purposes	-	-	-	127,421	127,421
Student activities	-	-	-	56,982	56,982
Support trust purposes	-	-	-	29,676	29,676
School infrastructure	-	734,129	-	-	734,129
Physical plant and equipment	-	245,828	-	-	245,828
Unassigned	990,146	-	-	-	990,146
Total fund balances	1,179,899	979,957	24,165	214,079	2,398,100
Total liabilities, deferred inflows of resources and fund balances	\$ 2,791,316	1,087,936	327,065	414,079	4,620,396

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds(page 20)		\$ 2,398,100
<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.		5,535,524
Accounts receivable income surtax is not yet available to finance expenditures of the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		157,338
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.		(7,067)
Unamortized net bond premiums, discounts and issuance costs are not financial resources and, therefore, are not reported as assets in the governmental funds.		10,263
Pension 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	\$ 724,676	
Deferred inflows of resources	<u>(29,733)</u>	694,943
Long-term liabilities, including bonds payable, other post-employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,428,903)</u>
Net position of governmental activities(page 18)		<u><u>\$ 5,360,198</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, 2017

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,044,128	93,281	367,515	202,189	1,707,113
Tuition	725,634	-	-	-	725,634
Other	113,768	-	2,365	165,274	281,407
State sources	2,324,647	331,304	1,855	1,090	2,658,896
Federal sources	125,576	-	-	-	125,576
Total revenues	<u>4,333,753</u>	<u>424,585</u>	<u>371,735</u>	<u>368,553</u>	<u>5,498,626</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,779,254	1,725	-	53,874	1,834,853
Special	377,028	-	-	-	377,028
Other	599,113	-	-	170,881	769,994
	<u>2,755,395</u>	<u>1,725</u>	<u>-</u>	<u>224,755</u>	<u>2,981,875</u>
Support services:					
Student	120,415	-	-	-	120,415
Instructional staff	138,129	-	-	-	138,129
Administration	657,046	-	-	-	657,046
Operation and maintenance of plant	344,838	207,447	-	111,581	663,866
Transportation	136,014	85,075	-	14,315	235,404
	<u>1,396,442</u>	<u>292,522</u>	<u>-</u>	<u>125,896</u>	<u>1,814,860</u>
Capital outlay	-	57,759	-	-	57,759
Long-term debt:					
Principal	-	-	310,000	-	310,000
Interest and fiscal charges	-	-	58,087	-	58,087
	<u>-</u>	<u>-</u>	<u>368,087</u>	<u>-</u>	<u>368,087</u>
Other expenditures:					
AEA flowthrough	142,453	-	-	-	142,453
Total expenditures	<u>4,294,290</u>	<u>352,006</u>	<u>368,087</u>	<u>350,651</u>	<u>5,365,034</u>
Excess of revenues over expenditures	39,463	72,579	3,648	17,902	133,592
Other financing sources:					
Insurance proceeds	20,983	-	-	-	20,983
Sale of equipment	410	-	-	-	410
Total other financing sources	<u>21,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,393</u>
Change in fund balances	60,856	72,579	3,648	17,902	154,985
Fund balances beginning of year	<u>1,119,043</u>	<u>907,378</u>	<u>20,517</u>	<u>196,177</u>	<u>2,243,115</u>
Fund balances end of year	<u>\$ 1,179,899</u>	<u>979,957</u>	<u>24,165</u>	<u>214,079</u>	<u>2,398,100</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, 2017

Change in fund balances - total governmental funds(page 22) \$ 154,985

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

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

Capital outlay	\$ 150,482	
Depreciation expense	<u>(196,686)</u>	(46,204)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 12,920

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. 310,000

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. 2,448

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. 260,632

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	(312,096)	
Supplemental pension benefits	(16,111)	
Other postemployment benefits	<u>(6,447)</u>	<u>(334,654)</u>

Change in net position of governmental activities(page 19) \$ 356,375

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 48,024
Inventories	2,189
Total current assets	50,213
Noncurrent assets:	
Capital assets, net of accumulated depreciation	8,086
Total assets	58,299
Deferred Outflows of Resources	
Pension related deferred outflows	18,129
Liabilities	
Current liabilities:	
Salaries and benefits payable	11,536
Unearned revenue	3,791
Total current liabilities	15,327
Noncurrent liabilities:	
Net pension liability	62,002
Net OPEB liability	3,807
Total noncurrent liabilities	65,809
Total liabilities	81,136
Deferred Inflows of Resources	
Pension related deferred inflows	750
Net Position	
Net investment in capital assets	8,086
Unrestricted	(13,544)
Total net position	\$ (5,458)

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, 2017

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 123,908
Miscellaneous	5,109
Total operating revenues	129,017
Operating expenses:	
Support services:	
Administration:	
Other	2,527
Non-instructional programs:	
Food service operations:	
Salaries	56,751
Benefits	35,802
Supplies	108,716
Depreciation	4,261
	205,530
Total operating expenses	208,057
Operating loss	(79,040)
Non-operating revenues:	
State sources	1,668
Federal sources	80,717
Total non-operating revenues	82,385
Change in net position before capital contributions	3,345
Capital contributions	1,649
Change in net position	4,994
Net position beginning of year	(10,452)
Net position end of year	\$ (5,458)

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 124,166
Cash received from miscellaneous operating activities	5,109
Cash payments to employees for services	(88,352)
Cash payments to suppliers for goods or services	(93,538)
Net cash used in operating activities	(52,615)
 Cash flows from non-capital financing activities:	
State grants received	1,668
Federal grants received	64,082
Net cash provided by non-capital financing activities	65,750
 Net increase in cash and pooled investments	13,135
 Cash and pooled investments beginning of year	34,889
 Cash and pooled investments end of year	\$ 48,024
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (79,040)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,635
Depreciation	4,261
Decrease in inventories	1,070
Increase in salaries and benefits payable	1,932
Increase in unearned revenue	258
Increase in other postemployment benefits	343
Increase in net pension liability	13,529
Increase in deferred outflows of resources	(8,805)
Decrease in deferred inflows of resources	(2,798)
Net cash used in operating activities	\$ (52,615)

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

During the year ended June 30, 2017, the District received \$16,635 of federal commodities.

During the year ended June 30, 2017, the School Nutrition Fund received \$1,649 of contributed capital from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(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. Enabling legislation did not result in any restricted net position.

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 expenses, 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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property 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 deferred 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

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. 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. 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 expense 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.

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

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.

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 consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2017 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, 2017, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$10 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard's and Poor's Financial Services.

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2017 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
Total capital assets not being depreciated	105,602	-	-	105,602
Capital assets being depreciated:				
Buildings	7,749,470	56,764	-	7,806,234
Land improvements	401,179	-	-	401,179
Machinery and equipment	746,654	93,718	50,000	790,372
Total capital assets being depreciated	8,897,303	150,482	50,000	8,997,785
Less accumulated depreciation for:				
Buildings	2,489,431	152,222	-	2,641,653
Land improvements	333,029	6,938	-	339,967
Machinery and equipment	598,717	37,526	50,000	586,243
Total accumulated depreciation	3,421,177	196,686	50,000	3,567,863
Total capital assets being depreciated, net	5,476,126	(46,204)	-	5,429,922
Governmental activities capital assets, net	\$ 5,581,728	(46,204)	-	5,535,524
Business type activities:				
Machinery and equipment	\$ 65,060	1,649	-	66,709
Less accumulated depreciation	54,362	4,261	-	58,623
Business type activities capital assets, net	\$ 10,698	(2,612)	-	8,086

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Operation and maintenance of plant	\$ 3,814
Transportation	33,712
	<u>37,526</u>
Unallocated depreciation	<u>159,160</u>
Total governmental activities depreciation expense	<u>\$ 196,686</u>
Business type activities:	
Food service operations	<u>\$ 4,261</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,175,000	-	310,000	865,000	145,000
Net pension liability	1,955,752	536,429	-	2,492,181	-
Net OPEB liability	65,275	14,432	7,985	71,722	-
	<u>\$ 3,196,027</u>	<u>550,861</u>	<u>317,985</u>	<u>3,428,903</u>	<u>145,000</u>
Business type activities:					
Net pension liability	\$ 48,473	13,529	-	62,002	-
Net OPEB liability	3,464	766	423	3,807	-
	<u>\$ 51,937</u>	<u>14,295</u>	<u>423</u>	<u>65,809</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District’s June 30, 2017 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			
	Interest Rates	Principal	Interest	Total
2018	4.70%	\$ 145,000	42,400	187,400
2019	4.80	150,000	35,585	185,585
2020	4.90	155,000	28,385	183,385
2021	5.00	165,000	20,790	185,790
2022	5.00	170,000	12,540	182,540
2023	5.05	80,000	4,040	84,040
Total		<u>\$ 865,000</u>	<u>143,740</u>	<u>1,008,740</u>

(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 7401 Register Drive 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 that 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 that 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 were \$266,577.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$2,554,183 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the District's proportion was 0.040586%, which was an increase of 0.000019% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$319,967. At June 30, 2017, 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	\$ 22,574	30,483
Changes of assumptions	38,969	-
Net difference between projected and actual earnings on IPERS' investments	363,890	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	50,795	-
District contributions subsequent to the measurement date	266,577	-
Total	\$ 742,805	30,483

\$266,577 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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
2018	\$ 66,248
2019	66,248
2020	200,971
2021	112,681
2022	(403)
Total	<u>\$ 445,745</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,132,323	2,554,183	1,222,213

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, 2017, the District reported payables to IPERS of \$29,473 for legally required District contributions and \$19,637 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 operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 26 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 24,421
Interest on net OPEB obligation	1,718
Adjustment to annual required contribution	(10,941)
Annual OPEB cost	15,198
Contributions made	(8,408)
Increase in net OPEB obligation	6,790
Net OPEB obligation beginning of year	68,739
Net OPEB obligation end of year	<u>\$ 75,529</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District contributed \$8,408 to the medical plan. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 17,861	28.15%	\$ 61,797
2016	14,374	51.70	68,739
2017	15,198	55.32	75,529

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$61,037, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$61,037. The covered payroll (annual payroll of active employees covered by the plan) was \$2,548,309, and the ratio of the UAAL to covered payroll was 2.40%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$1,570 per month for retirees who less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Supplemental Pension Plan

Plan Description - The District offered a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 15 or more years and an average of at least thirty hours per week of service to the District, submit an application to the Board of Directors, receive Board approval and retire by June 30th of the same year.

There were 46 active members in the plan as of July 1, 2015. The pension benefit is the sum of 0.5% per year (not greater than 20%) times the employee's regular contractual salary during the employee's last year of employment and \$600 per year of service not to exceed 40 years.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. As the District's plan is not an ongoing plan, the cost is amortized over 5 years, which reflects the maximum amount of time the liability would be recognized given the plan as adopted as of July 1, 2015.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ -
Interest on net pension obligation	(403)
Adjustment to annual required contribution	<u>16,514</u>
Annual pension cost	16,111
Contributions made	<u>-</u>
Increase in net pension obligation	16,111
Net pension obligation beginning of year	<u>(16,111)</u>
Net pension obligation end of year	<u><u>\$ -</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2013. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District made \$0 in contributions to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 27,485	83.95%	\$ (45,649)
2016	29,538	0.00	(16,111)
2017	16,111	0.00	-

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$201,575 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$201,575. The covered payroll (annual payroll of active employees covered by the plan) was \$2,195,572 and the ratio of the UAAL to covered payroll was 9.18%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past

expectations and new estimates are made about the future. The Schedule of Funding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between employer and plan members to a point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The UAAL is being amortized as a level dollar cost using a closed group method over 5 years.

(8) 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, 2017 were \$350,891.

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.

(9) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2017 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 60,323
Teacher Leadership State Aid	45,408
Four-year-old Preschool State Aid	23,169
Successful Progression for Early Readers	31,797
Professional Development for Model Core Curriculum	9,751
Professional Development	19,305
Total	\$ 189,753

(10) 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 \$142,453 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) 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	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	24,165	990,146
Capital assets, net of accumulated depreciation	5,535,524	-	-
General obligation bond capitalized indebtedness	(865,000)	-	-
Accrued interest payable	-	(7,067)	-
Income surtax receivable	-	-	157,338
Amortized bond discounts/issuance costs	-	-	10,263
Pension related deferred outflows	-	-	724,676
Net pension liability	-	-	(2,492,181)
Net OPEB liability	-	-	(71,722)
Pension related deferred inflows	-	-	(29,733)
Net position (Exhibit A)	\$ 4,670,524	17,098	(711,213)

(12) New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

(13) 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, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Baxter	Urban renewal	\$12,472
Marshall County	Urban renewal	\$6,114

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, 2017, this reimbursement amounted to \$7,957.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.



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, 2017

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,714,154	129,017	2,843,171	2,759,381	2,759,381	83,790
State sources	2,658,896	1,668	2,660,564	2,694,203	2,694,203	(33,639)
Federal sources	125,576	80,717	206,293	199,000	199,000	7,293
Total revenues	<u>5,498,626</u>	<u>211,402</u>	<u>5,710,028</u>	<u>5,652,584</u>	<u>5,652,584</u>	<u>57,444</u>
Expenditures/Expenses:						
Instruction	2,981,875	-	2,981,875	3,903,000	3,903,000	921,125
Support services	1,814,860	2,527	1,817,387	2,230,000	2,230,000	412,613
Non-instructional programs	-	205,530	205,530	213,800	213,800	8,270
Other expenditures	568,299	-	568,299	1,196,753	1,196,753	628,454
Total expenditures/expenses	<u>5,365,034</u>	<u>208,057</u>	<u>5,573,091</u>	<u>7,543,553</u>	<u>7,543,553</u>	<u>1,970,462</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	133,592	3,345	136,937	(1,890,969)	(1,890,969)	2,027,906
Other financing sources(uses), net	<u>21,393</u>	<u>1,649</u>	<u>23,042</u>	-	-	<u>23,042</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	154,985	4,994	159,979	(1,890,969)	(1,890,969)	2,050,948
Balances beginning of year	<u>2,243,115</u>	<u>(10,452)</u>	<u>2,232,663</u>	<u>2,035,799</u>	<u>2,035,799</u>	<u>196,864</u>
Balances end of year	<u>\$ 2,398,100</u>	<u>(5,458)</u>	<u>2,392,642</u>	<u>144,830</u>	<u>144,830</u>	<u>2,247,812</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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.

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

	2017	2016	2015
District's proportion of the net pension liability	0.040586%	0.040567%	0.041137%
District's proportionate share of the net pension liability	\$ 2,554,183	2,004,225	1,631,452
District's covered-employee payroll	\$ 2,912,576	2,779,234	2,691,825
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 266,577	260,093	248,186	240,380	218,542	207,330	173,508	159,847	150,382	134,858
Contributions in relation to the statutorily required contribution	\$ (266,577)	(260,093)	(248,186)	(240,380)	(218,542)	(207,330)	(173,508)	(159,847)	(150,382)	(134,858)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,985,182	2,912,576	2,779,234	2,691,825	2,520,669	2,569,145	2,496,518	2,403,714	2,368,220	2,229,058
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

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.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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 FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 298,483	298,483	0.00%	\$ 2,391,245	12.48%
2011	July 1, 2009	-	267,402	267,402	0.00	2,144,386	12.47
2012	July 1, 2009	-	183,755	183,755	0.00	2,326,999	7.90
2013	July 1, 2012	-	113,692	113,692	0.00	2,337,561	4.86
2014	July 1, 2012	-	101,916	101,916	0.00	2,276,137	4.48
2015	July 1, 2012	-	95,587	95,587	0.00	2,149,837	4.45
2016	July 1, 2015	-	64,678	64,678	0.00	2,497,810	2.59
2017	July 1, 2015	-	61,037	61,037	0.00	2,548,309	2.40

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	July 1, 2013	-	\$ 133,972	133,972	0.00%	\$ 1,668,507	8.03%
2015	July 1, 2013	-	160,893	160,893	0.00	1,895,066	8.49
2016	July 1, 2015	-	186,456	186,456	0.00	2,176,040	8.57
2017	July 1, 2015	-	201,575	201,575	0.00	2,195,572	9.18

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue			Total
	Student Activity	Management Levy	Support Trust	
Assets				
Cash and pooled investments	\$ 56,982	126,214	29,676	212,872
Receivables:				
Property tax:				
Delinquent	-	1,207	-	1,207
Succeeding year	-	200,000	-	200,000
Total assets	\$ 56,982	327,421	29,676	414,079
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	200,000	-	200,000
Fund balances:				
Restricted for:				
Management levy purposes	-	127,421	-	127,421
Student activities	56,982	-	-	56,982
Support trust purposes	-	-	29,676	29,676
Total fund balances	56,982	127,421	29,676	214,079
Total liabilities, deferred inflows of resources and fund balances	\$ 56,982	327,421	29,676	414,079

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, 2017

	Special Revenue			Total
	Student Activity	Management Levy	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ -	202,189	-	202,189
Other	148,353	16,921	-	165,274
State sources	-	1,090	-	1,090
Total revenues	<u>148,353</u>	<u>220,200</u>	<u>-</u>	<u>368,553</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	53,874	-	53,874
Other	170,881	-	-	170,881
Support services:				
Operation and maintenance of plant	-	111,581	-	111,581
Transportation	-	14,315	-	14,315
Total expenditures	<u>170,881</u>	<u>179,770</u>	<u>-</u>	<u>350,651</u>
Change in fund balances	(22,528)	40,430	-	17,902
Fund balances beginning of year	<u>79,510</u>	<u>86,991</u>	<u>29,676</u>	<u>196,177</u>
Fund balances end of year	<u>\$ 56,982</u>	<u>127,421</u>	<u>29,676</u>	<u>214,079</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 721,071	245,499	966,570
Receivables:			
Property tax:			
Delinquent	-	329	329
Succeeding year	-	58,534	58,534
Income surtax	-	34,964	34,964
Due from other governments	27,539	-	27,539
Total assets	\$ 748,610	339,326	1,087,936
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 14,481	-	14,481
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	58,534	58,534
Income surtax	-	34,964	34,964
Total deferred inflows of resources	-	93,498	93,498
Fund balances:			
Restricted for:			
School infrastructure	734,129	-	734,129
Physical plant and equipment	-	245,828	245,828
Total fund balances	734,129	245,828	979,957
Total liabilities, deferred inflows of resources and fund balances	\$ 748,610	339,326	1,087,936

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, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	93,281	93,281
State sources	331,017	287	331,304
Total revenues	<u>331,017</u>	<u>93,568</u>	<u>424,585</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	1,725	1,725
Support services:			
Operation and maintenance of plant	207,447	-	207,447
Transportation	5,075	80,000	85,075
Capital outlay	53,839	3,920	57,759
Total expenditures	<u>266,361</u>	<u>85,645</u>	<u>352,006</u>
Change in fund balances	64,656	7,923	72,579
Fund balances beginning of year	<u>669,473</u>	<u>237,905</u>	<u>907,378</u>
Fund balances end of year	<u>\$ 734,129</u>	<u>245,828</u>	<u>979,957</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BAXTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 4,285	1,976	1,391	-	4,870
FCCLA	845	2,662	2,323	-	1,184
Sinfully delicious	165	-	-	-	165
Speech	-	688	688	-	-
Stat tech team	-	4,446	4,446	-	-
Vocal music	1	61	62	-	-
Instrumental music	-	323	323	-	-
Baxter athletics	6	4,290	3,633	-	663
Athletics	13,038	17,307	7,911	-	22,434
Hall of fame	54	1,940	1,994	-	-
Boys basketball	10,121	3,486	13,607	-	-
Hasselbrink golf	-	250	250	-	-
Padget basketball	-	4,969	5,102	776	643
Ranck volleyball	-	6,258	6,112	-	146
Football	-	23,896	23,896	-	-
Luther football	10,086	13,858	19,029	-	4,915
Baseball	-	2,893	2,893	-	-
Berry softball	100	100	85	-	115
Bucklin baseball	100	100	-	-	200
Boys track	-	4,988	3,946	-	1,042
Russel track	823	557	1,380	-	-
Boys golf	-	450	450	-	-
Wrestling	470	-	470	-	-
Girls basketball	8,210	3,653	11,863	-	-
Volleyball	7,138	2,954	10,092	-	-
Softball	-	418	418	-	-
Girls track	-	4,666	3,138	-	1,528
Cross country	-	960	960	-	-
Soccer	43	147	190	-	-
Hasselbrink soccer	273	-	-	-	273
Swalwell athletic donation	934	356	-	-	1,290
Drill team	895	6,330	5,746	-	1,479
Student council	5,866	4,334	4,631	-	5,569
Honor society	-	62	62	-	-
Fourth grade	66	-	66	-	-
Art club	3,850	878	3,855	-	873
Hasselbrink basketball	-	2,062	2,352	1,006	716
Seeman baseball	555	3,363	3,912	-	6
Class of 2017	504	6,260	6,764	-	-
Class of 2018	-	1,529	1,000	-	529
Class of 2019	1,500	775	-	-	2,275
Brummel basketball	1,006	-	-	(1,006)	-
Zabel basketball	776	-	-	(776)	-
Interest	-	72	72	-	-
Yearbook	4,411	14,036	12,380	-	6,067
Special activities	3,060	-	3,060	-	-
Library	329	-	329	-	-
Total	\$ 79,510	148,353	170,881	-	56,982

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 1,707,113	1,661,957	1,597,265	1,838,331	2,053,584	1,869,511	1,906,598	1,736,270	1,675,453	1,507,373
Tuition	725,634	616,333	589,795	550,061	446,777	449,299	447,630	393,026	433,004	369,585
Other	281,407	222,168	279,371	249,874	272,899	357,049	334,597	258,832	271,924	251,382
Intermediate sources	-	-	-	-	-	-	-	-	-	1,385
State sources	2,658,896	2,604,110	2,575,984	2,509,233	2,332,328	2,445,064	1,958,552	1,775,379	2,092,757	2,055,222
Federal sources	125,576	129,099	114,488	115,038	134,611	153,541	306,966	322,827	163,183	92,714
Total	\$ 5,498,626	5,233,667	5,156,903	5,262,537	5,240,199	5,274,464	4,954,343	4,486,334	4,636,321	4,277,661
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,834,853	1,829,602	1,738,732	1,742,403	1,734,857	1,819,644	1,748,316	1,485,428	1,546,516	1,559,368
Special	377,028	369,651	348,498	363,623	419,456	442,950	351,381	343,217	323,256	326,864
Other	769,994	744,315	774,638	729,703	625,915	670,589	481,706	493,505	447,058	394,144
Support services:										
Student	120,415	105,411	98,531	99,556	133,325	118,322	153,220	159,454	100,320	99,192
Instructional staff	138,129	143,323	123,682	114,243	136,153	120,383	147,906	136,881	106,009	113,186
Administration	657,046	654,903	639,524	596,857	703,539	649,141	601,104	604,441	584,217	560,410
Operation and maintenance of plant	663,866	449,461	585,813	448,244	451,130	384,412	446,470	402,519	427,196	386,243
Transportation	235,404	125,698	151,674	199,764	165,099	258,483	157,478	193,501	177,720	145,105
Non-instructional programs	-	4,962	-	-	-	-	-	-	-	-
Capital outlay	57,759	47,342	160,924	238,775	108,296	100,442	85,676	100,847	110,715	126,758
Long-term debt:										
Principal	310,000	205,000	275,000	360,000	345,000	300,000	285,000	321,500	293,986	276,472
Interest and fiscal charges	58,087	67,313	80,102	96,343	109,565	120,685	132,986	142,134	152,073	161,774
Other expenditures:										
AEA flow-through	142,453	143,799	144,960	142,777	142,157	143,190	142,721	142,330	134,025	123,149
Total	\$ 5,365,034	4,890,780	5,122,078	5,132,288	5,074,492	5,128,241	4,733,964	4,525,757	4,403,091	4,272,665

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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Telephone (641) 792-1910

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

To the Board of Education of 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, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-17 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2017 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.

March 23, 2018
Newton, Iowa

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 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, 2017

Part II: Other Findings Related to Required Statutory Reporting:

II-A-17 Certified Budget - Expenditures for the year ended June 30, 2017 did not exceed the certified budget amounts.

II-B-17 Questionable Disbursements - We noted several instances of the District paying sales tax during our audit and 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, nor do payments for sales tax as the District is a tax-exempt entity.

Recommendation - The District should review their procedures in place and make any necessary adjustments to ensure the District avoids paying sales tax and that 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 ensure credit card bills are paid timely manner and avoid paying sales tax.

Conclusion - Response accepted.

II-C-17 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-17 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-17 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-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-17 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-17 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa department of Education was overstated by 0.107.

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

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

Conclusion - Response accepted.

- II-I-17 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-17 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-17 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-17 Statewide Sales, Services and Use Tax - Except as noted in comment II-M-17, 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 669,473
Revenues:		
Sales tax revenues		331,017
		1,000,490
Expenditures:		
Equipment	\$ 256,918	
Other	9,443	266,361
Ending Balance		\$ 734,129

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-17 Capital Projects: Statewide Sales, Services and Use Tax Fund Expenditures - We noted during our audit that the District purchased cleaning services from the Capital Projects: Statewide Sales, Services and Use Tax Fund which does not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The services would appear to represent general maintenance and, therefore, more appropriate from the General Fund. The amount in question is \$2,565.50.

Recommendation - The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowable expenditures from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Since the District had allowable Capital Projects expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District will ensure that general maintenance expenditures will be taken from the General Fund.

Conclusion - Response accepted.

II-N-17 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Inactive Accounts: During our audit of the Special Revenue, Student Activity Fund; we noted the Sinfully Delicious and Hasselbrink Soccer accounts are carrying balances but appear to have had no activity for the past three fiscal years.

Recommendation - The District should review these accounts to determine if the accounts are still active or if these accounts should be closed and the remaining monies reallocated to other accounts within the Student Activity Fund at the discretion of the Board of Education.

Response - Upon approval of the Board, the Business Manager will move funds of inactive accounts to the Student Council Activity account as specified in District procedures.

Conclusion - Response accepted.