

**Ballard Community School District
Huxley, Iowa**

Financial Report
Year Ended June 30, 2017

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Ballard Community School District

Officials

Year Ended June 30, 2017

Name	Title	Term Expires
Board of Education		
Steven Domino	President	2019
Jean Saveraid	Vice President	2017
Darin Wohlgemuth	Board Member	2017
Brandee Gatchel	Board Member	2019
Kirk Peterson	Board Member	2019
School Officials		
Ottie Maxey	Superintendent	2017
Patricia Townsend	Director of Business Services	2017
Dave McGill	Director of Technology	2017
Doug Schroeder	Director of Buildings & Grounds	2017
Tom Sharpnack	Director of Transportation	2017

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Independent Auditor's Report

To the Board of Education
Ballard Community School District
Huxley, Iowa

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 the Ballard Community School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard Community School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, budgetary comparison information, and schedules of proportionate share of the net pension liability and schedules of contributions on pages 4–13 and 46-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The District's basic financial statements for the years ended June 30, 2008 through 2011, which are not presented herein, were audited by other auditors whose report thereon dated March 20, 2012, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2008 through 2011 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2008 through 2011 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
November 30, 2017

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Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

Ballard 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:

2016-17 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,488,177 in fiscal year 2016 to \$17,831,270 in fiscal year 2017 which represents a 2.0% increase.
- General Fund expenditures increased from \$16,123,376 in fiscal year 2016 to \$17,407,087 in fiscal year 2017 which represents a 8.0% increase.
- As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$7,921,664, an increase of \$583,070 from 2016. As of June 30, 2016, the District's governmental funds reported combined ending fund balances of \$7,338,594, an increase of \$835,380 from 2015.
- The District's net position increased \$1,607,202 during the year ended June 30, 2017. The District's net position increased \$2,382,754 during the year ended June 30, 2016.

USING THIS ANNUAL REPORT

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

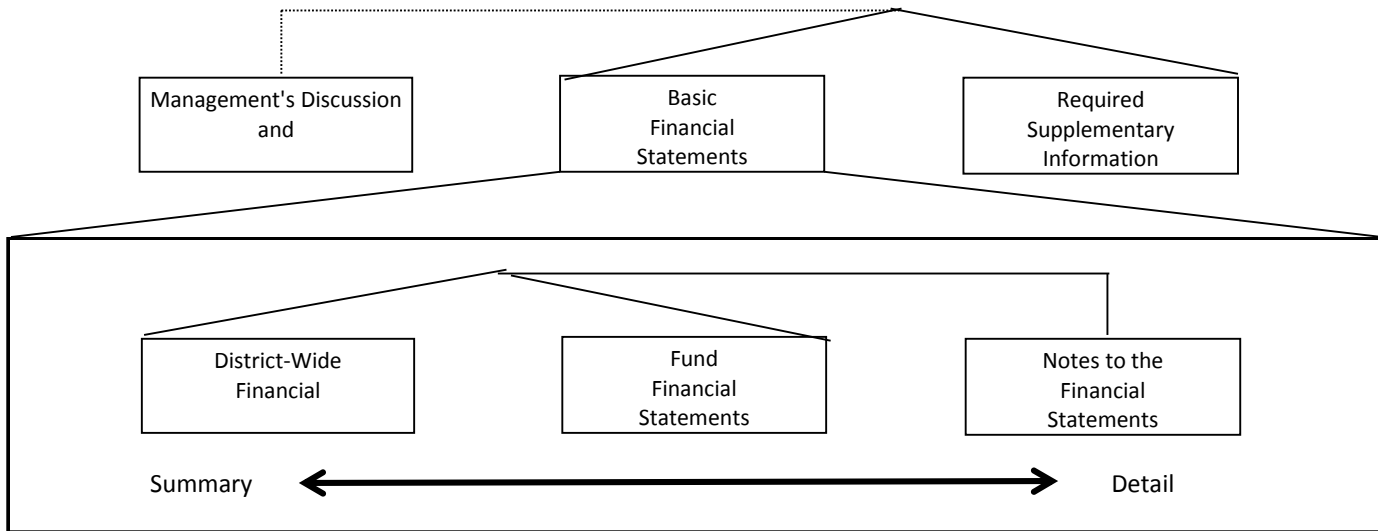
- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Ballard 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 the 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 Ballard 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 and information regarding the District's retiree health plan and pension plan.
- Other supplementary information provides detailed information about the nonmajor governmental funds.

Ballard Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2017**

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

Figure A-1
Ballard Community School District Annual Financial Report



Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
Government-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

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 and deferred outflows of resources and liabilities and deferred inflows of resources. 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 statements report the District's net position and how they have changed. Net position – the difference between the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional nonfinancial 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 taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2016-17 were the General Fund, Capital Projects Fund, and Debt Service Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activities Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, which is used to account for the District's self-funded health insurance plan.

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. This fund type includes Private-purpose Trust Fund and Agency Funds. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2017 compared to June 30, 2016.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2016-17
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 17,967,556	\$ 16,587,932	\$ 56,377	\$ 56,520	\$ 18,023,933	\$ 16,644,452	8.3%
Capital assets	34,267,856	33,484,181	5,208	6,511	34,273,064	33,490,692	2.3%
Total assets	52,235,412	50,072,113	61,585	63,031	52,296,997	50,135,144	4.3%
Deferred outflows of resources	4,161,935	3,991,339	-	-	4,161,935	3,991,339	4.3%
Current liabilities	6,973,096	4,329,934	16,366	18,352	6,989,462	4,348,286	60.7%
Non-current liabilities	26,455,047	26,326,481	-	-	26,455,047	26,326,481	0.5%
Total liabilities	33,428,143	30,656,415	16,366	18,352	33,444,509	30,674,767	9.0%
Deferred inflows of resources	6,770,349	8,814,844	-	-	6,770,349	8,814,844	-23.2%
Net position:							
Net investment in capital assets	14,736,304	13,795,361	5,208	6,511	14,741,512	13,801,872	6.8%
Restricted	4,025,350	3,820,511	-	-	4,025,350	3,820,511	5.4%
Unrestricted	(2,562,799)	(3,023,679)	40,011	38,168	(2,522,788)	(2,985,511)	-15.5%
Total net position	\$ 16,198,855	\$ 14,592,193	\$ 45,219	\$ 44,679	\$ 16,244,074	\$ 14,636,872	11.0%

The District's combined net position as of June 30, 2017 increased by \$1,607,202 (11.0 percent) over the June 30, 2016 combined net position. Net position in the governmental activities increased by \$1,606,662 (11.0 percent). The net position of the District's business-type activities increased by \$540 (1.2 percent).

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 by \$204,839 or 5.4 percent from the prior year.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$462,723.

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

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 From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2016-17
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	
Revenues:							
Program revenues:							
Charges for services	\$ 1,149,231	\$ 1,074,234	\$ 502,508	\$ 518,335	\$ 1,651,739	\$ 1,592,569	3.7%
Operating grants and contributions	4,001,293	3,408,769	249,737	249,262	4,251,030	3,658,031	16.2%
Capital grants and contributions	-	-	-	-	-	-	N/A
General revenues:							
Property taxes	6,866,052	6,719,911	-	-	6,866,052	6,719,911	2.2%
Income surtax	200,118	192,170	-	-	200,118	192,170	4.1%
State foundation aid	8,733,091	8,730,330	-	-	8,733,091	8,730,330	0.0%
Statewide sales and services tax	1,510,817	1,590,183	-	-	1,510,817	1,590,183	-5.0%
Revenue in lieu of taxes	144,603	145,326	-	-	144,603	145,326	-0.5%
Other	55,857	32,292	41	39	55,898	32,331	72.9%
Total revenues	22,661,062	21,893,215	752,286	767,636	23,413,348	22,660,851	3.3%
Expenses:							
Instruction	12,321,692	11,080,033	-	-	12,321,692	11,080,033	11.2%
Support services	6,199,997	5,682,247	-	-	6,199,997	5,682,247	9.1%
Noninstructional programs	-	-	751,746	765,266	751,746	765,266	-1.8%
Other	2,532,711	2,750,551	-	-	2,532,711	2,750,551	-7.9%
Total expenses	21,054,400	19,512,831	751,746	765,266	21,806,146	20,278,097	7.5%
Increase in net position	\$ 1,606,662	\$ 2,380,384	\$ 540	\$ 2,370	\$ 1,607,202	\$ 2,382,754	-32.5%
Net position, beginning	14,592,193	12,211,809	44,679	42,309	14,636,872	12,254,118	
Net position, ending	<u>\$ 16,198,855</u>	<u>\$ 14,592,193</u>	<u>\$ 45,219</u>	<u>\$ 44,679</u>	<u>\$ 16,244,074</u>	<u>\$ 14,636,872</u>	

In 2016-2017, property taxes, income surcharge tax, statewide sales and services tax, revenue in lieu of taxes and state foundation aid accounted for 71.0 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

In 2015-2016, property taxes, income surcharge tax, statewide sales and services tax, revenue in lieu of taxes and state foundation aid accounted for 79.4 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

The District's expenses primarily relate to instruction and support services which account for 84.9 percent of the total expenses.

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

Governmental Activities

Total revenue for the District's governmental activities increased by \$767,847 (3.4 percent) in the fiscal year ended June 30, 2017. One of the significant changes was in operating grants and contributions. The operating grants and contributions increased \$592,524 due to increases in Teacher Leadership state grants in aid. Property taxes increased \$146,141 (2.2 percent) due to an increase in assessed valuation.

Total District governmental activities expenses increased by \$1,541,569 (7.9 percent), mainly attributable to increases in salaries and benefits and interest on long-term debt as well as changes in the net pension liability.

Figure A-5 presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	June 30, 2017	June 30, 2016	Change	June 30, 2017	June 30, 2016	2016-17
Instruction	\$ 12,321,692	\$ 11,080,033	11.21%	\$ 7,823,235	\$ 7,256,439	7.8%
Support services	6,199,997	5,682,247	9.11%	6,199,997	5,682,247	9.1%
Other	2,532,711	2,750,551	-7.92%	1,880,644	2,091,142	-10.1%
Total	\$ 21,054,400	\$ 19,512,831	7.90%	\$ 15,903,876	\$ 15,029,828	5.8%

For the year ended June 30, 2017:

- The cost financed by the users of the District's programs was \$1,149,231.
- Federal and state government subsidized certain programs with grants and contributions totaling \$4,001,293.
- The net cost of governmental activities was financed with \$6,866,052 in property taxes, \$200,118 of income surtax, \$1,510,817 of statewide sales and services tax, \$8,733,091 of unrestricted state grants, \$144,603 of revenue in lieu of taxes and \$55,857 other.

For the year ended June 30, 2016:

- The cost financed by the users of the District's programs was \$1,074,234.
- Federal and state government subsidized certain programs with grants and contributions totaling \$3,408,769.
- The net cost of governmental activities was financed with \$6,865,237 in property taxes, \$192,170 of income surtax, \$1,590,183 of statewide sales and services tax, \$8,730,330 of unrestricted state grants, \$145,326 of revenue in lieu of taxes and \$32,292 other.

Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2016-17 were \$752,286, a decrease of \$15,350 from 2015-16. Expenses were \$751,746, a decrease of \$13,520 from 2015-16. Revenues of these activities were comprised of charges for service, federal and state sources, and interest.

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,921,664 which reflects an increase of \$583,070 from last year's ending fund balances of \$7,338,594. The primary reason for the increase in combined fund balances at the end of fiscal 2017 is the increase in General Fund revenues from increased state grants offset by an increase in General Fund operating expenditures due to an increase in salaries and benefits.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by \$445,970 from \$4,177,539 as of June 30, 2016 to \$4,623,509 as of June 30, 2017. The increase is due to increased state grants offset by an increase in expenditures for increases in staff.
- The fund balance in the Capital Projects Fund increased \$3,529 from \$1,977,651 as of June 30, 2016 to \$1,981,180 as of June 30, 2017. The increase is due to the issuance of capital loan notes for capital projects and the timing of capital projects expenditures and transfers out for debt service from the statewide sales, services and use tax.
- The Debt Service Fund had an increase of \$29,651 in ending fund balance from \$83,701 in 2015-2016 to \$113,352 in fiscal year 2016-2017 due to increases in property taxes.

Proprietary Fund Highlights

The District's School Nutrition Fund net position increased \$540 to \$45,219 as of June 30, 2017. The District has continued its agreement with Taher, Inc. to manage the nutrition program through June 30, 2017.

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

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 internal service funds, private-purpose trust funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. There was one budget amendment during the year to increase the other function expenditures by \$1,919,357. The District exceeded budgeted expenditures in the non-instructional programs function as of June 30, 2017.

It should also be noted that school districts have two levels of budgetary control. One form of budgetary control exists through the certified budget, which includes all funds of the District as noted above. This budget is certified with the County Auditor and the Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District. The District did not exceed its budget in any of the four functions nor did it exceed its unspent authorized budget.

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2016-17 fiscal year, the District had invested \$34,273,064 (net of accumulated depreciation of \$14,198,633) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-6). This amount represents a net increase of \$782,372 or 2.3 percent from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$1,201,258.

Figure A-6 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2016-17
	2017	2016	2017	2016	2017	2016	
	Land	\$ 791,512	\$ 791,512	\$ -	\$ -	\$ 791,512	\$ 791,512
Buildings	30,526,683	31,402,942	-	-	30,526,683	31,402,942	-2.8%
Improvements other than buildings	590,162	341,584	-	-	590,162	341,584	72.8%
Furniture and equipment	979,782	938,143	5,208	6,511	984,990	944,654	4.3%
Construction in progress	1,379,717	10,000	-	-	1,379,717	10,000	13697.2%
Total	\$ 34,267,856	\$ 33,484,181	\$ 5,208	\$ 6,511	\$ 34,273,064	\$ 33,490,692	2.3%

Long-Term Liabilities

As of June 30, 2017, the District had approximately \$21.7 million in general obligation bonds, revenue bonds, and other long-term debt outstanding. This represents a decrease of approximately 1.7% from last year (see figure A-7). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2016-17
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	
Early retirement	\$ 55,369	\$ 196,605	\$ -	\$ -	\$ 55,369	\$ 196,605	-71.8%
Compensated absences	52,973	48,427	-	-	52,973	48,427	9.4%
Net OPEB liability	401,671	344,629	-	-	401,671	344,629	16.6%
General obligation bonds	10,492,795	11,674,695	-	-	10,492,795	11,674,695	-10.1%
Capital loan notes	1,830,000	320,000	-	-	1,830,000	320,000	471.9%
Revenue bonds	8,830,000	9,455,000	-	-	8,830,000	9,455,000	-6.6%
Total	\$ 21,662,808	\$ 22,039,356	\$ -	\$ -	\$ 21,662,808	\$ 22,039,356	-1.7%

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2017

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's FY18 budgeted expenditures for the General Fund is \$17,979,649 which is a decrease of \$44,194 or 0.2% from the FY17 General Fund budget.
- The District's FY18 total tax rate is 19.59284 compared to FY17 of 22.05202.

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 Patricia Townsend, Director of Business Services, Ballard Community School District, 509 N Main, Huxley, IA 50124.

Ballard Community School District

**Statement of Net Position
June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 10,410,267	\$ 1,886	\$ 10,412,153
Receivables:			
Property tax:			
Current year	39,620	-	39,620
Succeeding year	6,386,637	-	6,386,637
Income surtax	184,909	-	184,909
Accounts	916,396	45,007	961,403
Other	29,727	-	29,727
Inventories	-	9,484	9,484
Capital assets:			
Nondepreciable	2,171,229	-	2,171,229
Depreciable, net	32,096,627	5,208	32,101,835
Total assets	52,235,412	61,585	52,296,997
Deferred outflows of resources:			
Advance refunding	1,621,243	-	1,621,243
Pension related deferred outflows	2,540,692	-	2,540,692
Total deferred outflows of resources	4,161,935	-	4,161,935
Liabilities			
Accounts payable	1,261,374	-	1,261,374
Salaries and benefits payable	1,823,254	-	1,823,254
Accrued interest payable	153,186	-	153,186
Claims incurred but not reported	1,940	-	1,940
Unearned revenue	-	16,366	16,366
Long-term liabilities:			
Portion due within one year:			
Early retirement	55,369	-	55,369
Compensated absences	52,973	-	52,973
General obligation bonds	1,215,000	-	1,215,000
Capital loan notes	285,000	-	285,000
Revenue bonds	580,000	-	580,000
Portion due after one year:			
General obligation bonds	9,277,795	-	9,277,795
Capital loan notes	1,545,000	-	1,545,000
Revenue bonds	8,250,000	-	8,250,000
Net pension liability	8,525,581	-	8,525,581
Net OPEB liability	401,671	-	401,671
Total liabilities	33,428,143	16,366	33,444,509
Deferred inflows of resources:			
Succeeding year property tax	6,386,637	-	6,386,637
Pension related deferred inflows	383,712	-	383,712
Total deferred inflows of resources	6,770,349	-	6,770,349
Net Position			
Net investment in capital assets	14,736,304	5,208	14,741,512
Restricted for:			
Categorical funding	445,261	-	445,261
Management levy	951,196	-	951,196
Physical plant and equipment levy	522,222	-	522,222
Student activities	252,427	-	252,427
School infrastructure	1,718,867	-	1,718,867
Debt service	113,352	-	113,352
Other	22,025	-	22,025
Unrestricted	(2,562,799)	40,011	(2,522,788)
Total net position	\$ 16,198,855	\$ 45,219	\$ 16,244,074

See Notes to Financial Statements.

Ballard Community School District

**Statement of Activities
Year Ended June 30, 2017**

Functions/Programs	Expenses
Governmental activities:	
Instruction	\$ 12,321,692
Support services:	
Student services	595,447
Instructional staff services	569,328
Administration services	2,733,525
Operation and maintenance of plant services	1,439,745
Transportation services	861,952
	<u>6,199,997</u>
Other expenditures:	
Interest on long-term debt	680,689
AEA flowthrough	652,067
Depreciation (unallocated) *	1,199,955
	<u>2,532,711</u>
Total governmental activities	<u>21,054,400</u>
Business-type activities:	
Noninstructional programs,	
Nutrition services	751,746
Total	<u>\$ 21,806,146</u>
General revenues:	
Property tax levied for:	
General purposes	
Management	
Capital outlay	
Debt service	
Income surtax	
Statewide sales and services tax	
Revenue in lieu of taxes	
Unrestricted state grants	
Unrestricted investment earnings	
Gain on sale of capital assets	
Total general revenues	
Change in net position	
Net position, beginning of year	
Net position, end of year	

* This amount excludes the depreciation included in the direct expenses of the various programs.

See Notes to Financial Statements.

Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 1,149,231	\$ 3,349,226	\$ -	\$ (7,823,235)	\$ -	\$ (7,823,235)
-	-	-	(595,447)	-	(595,447)
-	-	-	(569,328)	-	(569,328)
-	-	-	(2,733,525)	-	(2,733,525)
-	-	-	(1,439,745)	-	(1,439,745)
-	-	-	(861,952)	-	(861,952)
-	-	-	(6,199,997)	-	(6,199,997)
-	-	-	(680,689)	-	(680,689)
-	652,067	-	-	-	-
-	-	-	(1,199,955)	-	(1,199,955)
-	652,067	-	(1,880,644)	-	(1,880,644)
1,149,231	4,001,293	-	(15,903,876)	-	(15,903,876)
502,508	249,737	-	-	499	499
\$ 1,651,739	\$ 4,251,030	\$ -	\$ (15,903,876)	\$ 499	\$ (15,903,377)
			4,388,316	-	4,388,316
			550,404	-	550,404
			431,909	-	431,909
			1,495,423	-	1,495,423
			200,118	-	200,118
			1,510,817	-	1,510,817
			144,603	-	144,603
			8,733,091	-	8,733,091
			51,205	41	51,246
			4,652	-	4,652
			17,510,538	41	17,510,579
			1,606,662	540	1,607,202
			14,592,193	44,679	14,636,872
			\$ 16,198,855	\$ 45,219	\$ 16,244,074

Ballard Community School District

**Balance Sheet
Governmental Funds
June 30, 2017**

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 5,899,264	\$ 2,876,459	\$ 105,801	\$ 1,214,025	\$ 10,095,549
Receivables:					
Property tax:					
Current year	26,460	2,181	7,551	3,428	39,620
Succeeding year	3,761,927	452,954	1,571,756	600,000	6,386,637
Intergovernmental	47,227	202,590	-	-	249,817
Income surcharge tax	-	184,909	-	-	184,909
Accounts	666,579	-	-	-	666,579
Other	25,798	3,164	-	765	29,727
Total assets	\$ 10,427,255	\$ 3,722,257	\$ 1,685,108	\$ 1,818,218	\$ 17,652,838
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 218,565	\$ 1,028,214	\$ -	\$ 14,595	\$ 1,261,374
Salaries and benefits payable	1,823,254	-	-	-	1,823,254
Total liabilities	2,041,819	1,028,214	-	14,595	3,084,628
Deferred inflows of resources, Unavailable revenue:					
Succeeding year property tax	3,761,927	452,954	1,571,756	600,000	6,386,637
Income surcharge tax	-	184,909	-	-	184,909
Sales, services and use tax	-	75,000	-	-	75,000
Total deferred inflows of resources	3,761,927	712,863	1,571,756	600,000	6,646,546
Fund balances:					
Restricted for:					
Categorical funding	445,261	-	-	-	445,261
Curriculum	22,025	-	-	-	22,025
Management levy	-	-	-	951,196	951,196
Physical plant and equipment levy	-	337,313	-	-	337,313
Student activities	-	-	-	252,427	252,427
School infrastructure	-	1,643,867	-	-	1,643,867
Debt service	-	-	113,352	-	113,352
Unassigned	4,156,223	-	-	-	4,156,223
Total fund balances	4,623,509	1,981,180	113,352	1,203,623	7,921,664
Total liabilities, deferred inflows of resources and fund balances	\$ 10,427,255	\$ 3,722,257	\$ 1,685,108	\$ 1,818,218	\$ 17,652,838

See Notes to Financial Statements.

Ballard 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		\$ 7,921,664
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Receivables not collected within 60 days of year-end are not available to pay for the current period's expenditures, and therefore, are deferred in the funds:		
Income surcharge tax	184,909	
Statewide sales, services and use tax	<u>75,000</u>	259,909
Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds.		34,267,856
The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net position of the Internal Service Fund is therefore included under governmental activities.		312,778
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	2,540,692	
Deferred inflows of resources	<u>(383,712)</u>	2,156,980
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due.		(153,186)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.		
Net pension liability	(8,525,581)	
Early retirement	(55,369)	
Compensated absences	(52,973)	
Capital loan notes	(1,830,000)	
General obligation bonds	(10,230,000)	
Revenue bonds	(8,830,000)	
Premium on bonds	(262,795)	
Deferral on advance refunding	1,621,243	
Net OPEB liability	<u>(401,671)</u>	(28,567,146)
Net position of governmental activities		<u><u>\$ 16,198,855</u></u>

See Notes to Financial Statements.

Ballard 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	\$ 4,388,316	\$ 627,268	\$ 1,495,423	\$ 550,404	\$ 7,061,411
Tuition	1,149,231	-	-	-	1,149,231
Other	521,330	32,816	3,692	549,287	1,107,125
State sources	11,449,287	1,545,897	26,651	11,903	13,033,738
Federal sources	323,106	-	-	-	323,106
Total revenues	17,831,270	2,205,981	1,525,766	1,111,594	22,674,611
Expenditures:					
Current:					
Instruction	11,703,629	-	-	712,230	12,415,859
Support services:					
Student services	594,973	-	-	-	594,973
Instructional staff services	272,273	294,004	-	2,670	568,947
Administration services	2,068,313	625,872	3,250	30,449	2,727,884
Operation and maintenance of plant services	1,471,995	161,513	-	191,525	1,825,033
Student transportation	643,837	155,823	-	61,808	861,468
	5,051,391	1,237,212	3,250	286,452	6,578,305
Other expenditures:					
Facilities acquisition	-	1,616,040	-	-	1,616,040
Principal on long-term debt	-	-	2,105,000	-	2,105,000
Interest on long-term debt	-	-	577,065	-	577,065
AEA flowthrough	652,067	-	-	-	652,067
	652,067	1,616,040	2,682,065	-	4,950,172
Total expenditures	17,407,087	2,853,252	2,685,315	998,682	23,944,336
Excess (deficiency) of revenues over (under) expenditures	424,183	(647,271)	(1,159,549)	112,912	(1,269,725)
Other financing sources (uses):					
Issuance of capital loan note	-	1,830,000	-	-	1,830,000
Sale of capital assets	12,795	10,000	-	-	22,795
Interfund transfers in	8,992	-	1,189,200	-	1,198,192
Interfund transfers out	-	(1,189,200)	-	(8,992)	(1,198,192)
Total other financing sources (uses)	21,787	650,800	1,189,200	(8,992)	1,852,795
Net change in fund balance	445,970	3,529	29,651	103,920	583,070
Fund balances, beginning of year	4,177,539	1,977,651	83,701	1,099,703	7,338,594
Fund balances, end of year	\$ 4,623,509	\$ 1,981,180	\$ 113,352	\$ 1,203,623	\$ 7,921,664

See Notes to Financial Statements.

Ballard 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**

Net change in fund balances - total governmental funds	\$	583,070
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 Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Expenditures for capital assets	\$ 2,001,773	
Depreciation expense	(1,199,955)	
Proceeds for sale of capital assets	(22,795)	
Gain on disposal of property and equipment	<u>4,652</u>	783,675
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues.		(20,241)
The increase in net position of the Internal Service Fund represents an over charge to the governmental funds and is incorporated into the change in net position of governmental activities.		19,971
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues as follows:		
Issuance of long-term debt	(1,830,000)	
Amortization of deferral on advance refunding	(139,632)	
Amortization of bond premium	21,900	
Repayment of long-term debt	<u>2,105,000</u>	157,268
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.		14,108
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		58,400
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.		
Pension expense	(69,237)	
Change in early retirement	141,236	
Change in compensated absences	(4,546)	
Change in Net OPEB liability	<u>(57,042)</u>	10,411
Change in net position of governmental activities	\$	<u>1,606,662</u>

See Notes to Financial Statements.

Ballard Community School District

**Statement of Net Position
Proprietary Funds
June 30, 2017**

	<u>Enterprise Fund</u>	
	<u>School Nutrition</u>	<u>Internal Service Fund</u>
Assets		
Cash and cash equivalents	\$ 1,886	\$ 314,718
Accounts receivable	45,007	-
Inventories	9,484	-
Capital assets, net of accumulated depreciation	5,208	-
Total assets	<u>61,585</u>	<u>314,718</u>
Liabilities		
Claims incurred but not reported	-	1,940
Unearned revenue, other	16,366	-
Total liabilities	<u>16,366</u>	<u>1,940</u>
Net Position		
Net investment in capital assets	5,208	-
Unrestricted	40,011	312,778
Total net position	<u>\$ 45,219</u>	<u>\$ 312,778</u>

See Notes to Financial Statements.

Ballard Community School District

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2017**

	<u>Enterprise Fund</u>	
	<u>School Nutrition</u>	<u>Internal Service Fund</u>
Operating revenues:		
Local sources, charges for services	\$ 502,508	\$ 158,822
Operating expenses:		
Noninstructional programs:		
Benefits	-	139,401
Purchased services	387,890	1,490
Supplies	362,553	-
Depreciation	1,303	-
Total operating expenses	<u>751,746</u>	<u>140,891</u>
Operating income (loss)	<u>(249,238)</u>	<u>17,931</u>
Nonoperating revenues:		
Interest on investments	41	2,040
State sources	5,339	-
Federal sources	244,398	-
Total nonoperating revenues	<u>249,778</u>	<u>2,040</u>
Change in net position	540	19,971
Net position, beginning of year	44,679	292,807
Net position, end of year	<u>\$ 45,219</u>	<u>\$ 312,778</u>

See Notes to Financial Statements.

Ballard Community School District

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

	<u>Enterprise Fund</u>	
	<u>School</u>	<u>Internal</u>
	<u>Nutrition</u>	<u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 487,901	\$ 158,822
Cash payments for claims	-	(138,194)
Cash payments to suppliers for goods or services	(695,064)	(1,490)
Net cash provided by (used in) operating activities	<u>(207,163)</u>	<u>19,138</u>
Cash flows from noncapital financing activities:		
State grants received	5,339	-
Federal grants received	185,799	-
Net cash provided by noncapital financing activities	<u>191,138</u>	<u>-</u>
Cash flows from investing activities, interest on investments	<u>41</u>	<u>2,040</u>
Net increase (decrease) in cash and cash equivalents	(15,984)	21,178
Cash and cash equivalents, beginning of year	17,870	293,540
Cash and cash equivalents, end of year	<u>\$ 1,886</u>	<u>\$ 314,718</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (249,238)	\$ 17,931
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,303	-
Commodities used	58,599	-
(Increase) in inventories	(2,580)	-
(Increase) in accounts receivable	(13,261)	-
Increase in claims incurred but not reported	-	1,207
(Decrease) in accounts payable	(640)	-
(Decrease) in unearned revenue	(1,346)	-
Net cash provided by (used in) operating activities	<u>\$ (207,163)</u>	<u>\$ 19,138</u>

Noncash: Noncapital financing activities:

During the year ended June 30, 2017, the District used \$58,599 of federal commodities.

See Notes to Financial Statements.

Ballard Community School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private-Purpose Trust	Agency
Assets		
Cash and pooled investments	\$ 1,500	\$ 4,018
Liabilities		
Accounts payable	-	\$ 4,018
Net position , restricted for scholarship	<u>\$ 1,500</u>	

See Notes to Financial Statements.

Ballard Community School District

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017**

	Private-Purpose Trust
Additions:	
Local sources	\$ -
Deductions:	
Instruction, scholarships awarded	500
Change in net position	(500)
Net position, beginning of year	2,000
Net position, end of year	<u>\$ 1,500</u>

See Notes to Financial Statements.

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Ballard Community School District is a political subdivision of the state of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Huxley, Slater, Cambridge and Kelley, Iowa and agricultural area in Story, Polk, and Boone Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan 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.

Reporting entity:

For financial reporting purposes, Ballard 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. Ballard 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 does 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 Story County Assessor's Conference Board.

Basis of presentation:

District-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 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 are clearly identifiable with a specific function. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements: Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Debt Service Fund is used for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The other governmental funds of the District are considered nonmajor and are as follows:

Special Revenue Funds: Account for the revenue sources that are legally restricted to expenditures for specific purposes.

The Management Fund accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

The Student Activity Fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising, and other extracurricular or cocurricular activities.

The District's nonmajor proprietary fund is the Enterprise, School Nutrition Fund, used to account for the food service operations of the District. The District's other proprietary fund, the Internal Service, Self-Funded Insurance Fund, is used to account for the District's self-funded health insurance plan.

The District also reported fiduciary funds. The District's fiduciary funds include the following:

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

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

Measurement focus and basis of accounting:

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

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues-exchange and nonexchange: Property taxes, other taxes, 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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 is 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.

Proprietary funds distinguished operating revenues and expenses from nonoperating items. Operating revenues and expense 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 nonoperating revenues and expenses.

Assets, liabilities 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 nonnegotiable 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 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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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.

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 unavailable in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent 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.

Intergovernmental receivables: Intergovernmental receivables 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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	\$ 1
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 -50 years
Furniture and equipment	5 - 15 years
Intangible assets	5 - 10 years

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Salaries and benefits payable: Payroll and related expenses for staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term liabilities: In the District-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.

Compensated absences: District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and by the Special Revenue Fund, Management Levy.

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received but not earned. Unearned revenue consists primarily of meal revenues collected for the next school year.

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.

Fund equity: In the governmental fund financial statements fund balances are classified as follows:

Nonspendable: Balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

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.

Committed: Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The authority to assign fund balances has been delegated to the Business Manager.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District's deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the employer after the measurement date but before the end of the employer's reporting period, and deferral on advance refunding.

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources in the government-wide statements consists of succeeding year property tax revenue and the unamortized portion of the net difference between projected and actual earnings on pension plan investments. The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax, income surcharge tax, and property tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted by enabling legislation as of June 30, 2017 consists of \$445,261 for categorical funding, \$951,196 for management levy purposes, \$522,222 for physical plant and equipment levy, \$1,718,867 for school infrastructure, and \$113,352 for debt service. Net position restricted by contributors for student activities was \$252,427 and by other grantors for curriculum was \$22,025.

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

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and budgetary control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information based on the program structure of four functional areas as required by state statute for its legally adopted budget.

Note 2. Cash and Pooled Investments

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure 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.

As of June 30, 2017, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,934 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the Iowa Schools Joint Investment Trust investments.

Credit risk: The investment in the Iowa Schools Joint Investment Trust is rated AAAM by Standard & Poor's Rating Service. The District does not have a separate credit risk policy from state statutes.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer To	Transfer From	Amount
Debt Service Fund	Capital Projects Fund	\$ 1,189,200
General Fund	Nonmajor, Student Activity Fund	8,992
		<u>\$ 1,198,192</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Ballard Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 791,512	\$ -	\$ -	\$ 791,512
Construction in progress	10,000	1,379,717	10,000	1,379,717
Total capital assets not being depreciated	801,512	1,379,717	10,000	2,171,229
Capital assets being depreciated:				
Buildings	41,422,454	10,000	304,040	41,128,414
Improvements other than buildings	1,847,876	335,311	-	2,183,187
Furniture and equipment	3,228,082	286,745	541,593	2,973,234
Total capital assets being depreciated	46,498,412	632,056	845,633	46,284,835
Less accumulated depreciation for:				
Buildings	10,019,512	881,774	299,555	10,601,731
Improvements other than buildings	1,506,292	86,733	-	1,593,025
Furniture and equipment	2,289,939	231,448	527,935	1,993,452
Total accumulated depreciation	13,815,743	1,199,955	827,490	14,188,208
Total capital assets being depreciated, net	32,682,669	(567,899)	18,143	32,096,627
Governmental activities capital assets, net	\$ 33,484,181	\$ 811,818	\$ 28,143	\$ 34,267,856
Business-type activities:				
Furniture and equipment	\$ 22,609	\$ -	\$ 6,976	\$ 15,633
Less accumulated depreciation	16,098	1,303	6,976	10,425
Business-type activities capital assets, net	\$ 6,511	\$ (1,303)	\$ -	\$ 5,208

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Unallocated depreciation	<u>\$ 1,199,955</u>
Business-type activities, food service operations	<u>\$ 1,303</u>

Ballard Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 196,605	\$ 55,369	\$ 196,605	\$ 55,369	\$ 55,369
Compensated absences	48,427	136,284	131,738	52,973	52,973
Net OPEB liability	344,629	63,493	6,451	401,671	-
General obligation bonds	11,390,000	-	1,160,000	10,230,000	1,215,000
Premium on general obligation bonds	284,695	-	21,900	262,795	-
Capital loan notes	320,000	1,830,000	320,000	1,830,000	285,000
Revenue bonds	9,455,000	-	625,000	8,830,000	580,000
Total	\$ 22,039,356	\$ 2,085,146	\$ 2,461,694	\$ 21,662,808	\$ 2,188,342

Early retirement: The District offered a voluntary early retirement plan to its certified, administrative and classified employees. Eligible employees had to be at least age 55 and employees had to have completed 15 years of service to the District with at least 30 hours per week. Employees had to complete an application no later than April 1, 2017 which was required to be approved by the Board of Education. The early retirement plan is a bonus type plan with a one-time payout in November 2017.

As of June 30, 2017, the District had \$55,369 due to two participants. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$196,605. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements. The early retirement liability is paid primarily from the Management Fund.

General obligation bonds: The District has two series of general obligation bonds outstanding as follows:

General Obligation School and Refunding Bonds, Series 2016: On April 27, 2016, the District issued \$8,275,000 General Obligation School Refunding Bonds Series 2016 with an average interest rate of 2.46 percent to advance refund \$7,735,000 of outstanding General Obligation School and Refunding Bonds, Series 2009. Principal is payable each June 1 and interest is payable semi-annually on December 1 and June 1 until maturity on June 1, 2029. The outstanding balance on the Series 2016 bonds is \$7,340,000 as of June 30, 2017. The proceeds of the Series 2016 bonds were placed in an irrevocable trust to provide for all future debt service payments on the Series 2009 bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$7,310,000 of the Series 2009 bonds outstanding are considered defeased.

General Obligation School Bonds, Series 2010: The District issued Series 2010 General Obligation School Bonds of \$4,360,000 to continue construction of a new high school building. Principal is payable each June 1 and interest is payable semi-annually on December 1 and June 1 until maturity on June 1, 2029. The outstanding balance on the Series 2010 bonds is \$2,890,000 as of June 30, 2017.

Ballard Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

The bonds will be repaid from property tax proceeds levied in the debt service fund. The details of the issuances and maturities are below:

Year Ending June 30	Bond Issue of April 27, 2016			Bond Issue of October 1, 2010			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2018	3.00	985,000	186,788	2.50	230,000	93,113	1,494,901
2019	3.00	730,000	157,238	2.60	230,000	87,363	1,204,601
2020	3.00	485,000	135,337	2.75	230,000	87,363	937,700
2021	3.00	505,000	120,788	2.75	230,000	75,058	930,846
2022	3.00	530,000	120,788	2.75	230,000	68,733	949,521
2023-2027	2.00-2.25	2,860,000	359,075	2.90-3.40	1,200,000	236,745	4,655,820
2028-2030	2.375-2.75	1,245,000	50,025	4.00	540,000	32,600	1,867,625
		<u>7,340,000</u>	<u>1,130,039</u>		<u>2,890,000</u>	<u>680,975</u>	<u>12,041,014</u>

Capital loan notes: The District had capital loan notes outstanding during the year as follows:

General Obligation School Capital Loan Notes, Series 2011: The District issued \$1,400,000 of General Obligation School Capital Loan Notes Series 2011 to construct, furnish and equip an addition to the East Elementary building and related remodeling. The final principal payment of \$245,000 on the bonds was made on June 1, 2017.

General Obligation School Capital Loan Notes, Series 2011A: The District issued \$450,000 of General Obligation School Capital Loan Notes, Series 2011A to continue construction and remodeling of the East Elementary building. The final principal payment of \$75,000 was made on June 1, 2017.

General Obligation School Capital Loan Notes, Series 2017: The District issued \$1,830,000 of General Obligation School Capital Loan Notes, Series 2017 to construct, furnish and equip buildings and related remodeling. Principal is payable each June 1 and interest is payable semi-annually on December 1 and June 1 until maturity on June 1, 2023. The capital loan notes will be paid from the physical plant and equipment levy. The details of the issuances and maturities are as follows:

Year Ending June 30	Capital Loan Note January 24, 2017			
	Interest Rate	Principal	Interest	Total
2018	1.55	285,000	50,618	335,618
2019	1.75	300,000	33,000	333,000
2020	2.00	305,000	27,750	332,750
2021	2.10	305,000	21,650	326,650
2022	2.30	315,000	15,245	330,245
2023	2.50	320,000	8,000	328,000
		<u>\$ 1,830,000</u>	<u>\$ 156,263</u>	<u>\$ 1,986,263</u>

Ballard Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

Revenue bonds: On October 1, 2015, the District issued \$9,455,000 School Infrastructure Sales, Services and Use Tax Revenue Refunding Bonds Series 2015 with an average interest rate of 2.58 percent to advance refund \$9,310,000 of outstanding School Infrastructure Sales Services and Use Tax Revenue and Refunding Bonds, Series 2009. The proceeds of the Series 2015 bonds were placed in an irrevocable trust to provide for all future debt service payments on the Series 2009 bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$8,835,000 of the Series 2009 bonds outstanding are considered defeased.

The details of the 2015 bonds and maturity schedule are as follows:

Year Ending June 30	Revenue Bonds Issuance October 1, 2015			
	Interest Rate	Principal	Interest	Total
2018	2.58	580,000	220,332	800,332
2019	2.58	595,000	205,174	800,174
2020	2.58	610,000	189,630	799,630
2021	2.58	625,000	173,699	798,699
2022	2.58	640,000	165,636	805,636
2023-2027	2.58	3,470,000	571,083	4,041,083
2028-2030	2.58	2,310,000	120,228	2,430,228
		<u>\$ 8,830,000</u>	<u>\$ 1,645,782</u>	<u>\$ 10,475,782</u>

The District has pledged future statewide sales, services and use tax revenues to repay the revenue bonds issued in October 2015. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the revenue bonds is \$10,475,782. For the current year, \$625,000 of principal and \$235,877 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,535,817.

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 137 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical plan is provided through a fully-insured program provided by Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit 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.

Ballard Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual 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	\$ 78,442
Interest on net OPEB obligation	8,616
Adjustment to annual required contribution	23,565
Annual OPEB cost	<u>63,493</u>
Contributions made	<u>(6,451)</u>
Increase in net OPEB obligation	57,042
Net OPEB obligation beginning of year	344,629
Net OPEB obligation end of year	<u><u>\$ 401,671</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2017 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 131,717	14.0%	\$ 288,422
June 30, 2016	64,562	12.9%	344,629
June 30, 2017	63,493	10.2%	401,671

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 \$475,784 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$475,784. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,377,000 and the ratio of the UAAL to covered payroll was 4.58 percent. 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 events 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, presented as required supplementary information in the section following the notes to financial statements, will present 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.

Ballard Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

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 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2016 on a 2/3 female, 1/3 male gender basis. Annual retirement and termination probabilities were developed from prior District experience.

The UAAL is being amortized as a level dollar of projected payroll expense on a closed basis over 30 years.

Note 7. 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 informational 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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 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.

Ballard Community School District

Notes to Basic Financial Statements

Note 7. Pension Plan (Continued)

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 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent. The District’s contributions to IPERS for the year ended June 30, 2017 were \$926,643.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$8,525,581 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the District’s proportion was .1354704 percent, which was an increase of .001128 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$937,399. 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	\$ 75,349	\$ 101,749
Changes of assumptions	130,074	-
Net difference between projected and actual earnings on pension plan investments	1,214,626	-
Changes in proportion and differences between District contributions and proportionate share of contributions	194,000	281,963
District contributions subsequent to the measurement date	926,643	-
Total	<u>\$ 2,540,692</u>	<u>\$ 383,712</u>

Ballard Community School District

Notes to Basic Financial Statements

Note 7. Pension Plan (Continued)

\$926,643 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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,	
2018	\$ 90,493
2019	90,493
2020	655,850
2021	391,552
2022	1,949
Thereafter	-
Total	<u>\$ 1,230,337</u>

There were no non-employer contributing entities to 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, as follows:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2010)	4.00 percent to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent 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.

Ballard Community School District

Notes to Basic Financial Statements

Note 7. Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (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	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) 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	\$ 13,793,236	\$ 8,525,581	\$ 4,079,611

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2017, the District reported payables to the defined benefit pension plan of \$123,441 for legally required employer contributions and \$82,248 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Ballard Community School District

Notes to Basic Financial Statements

Note 8. Risk Management

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 for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is partially self-funded only for individuals electing the individual \$500 deductible health plan. For this plan, the District funds claims between the individual \$500 deductible and the \$1,500 deductible plan with the insurance company. Payments are made to the plan based on amounts needed to pay prior and current year claims. Changes in the claims liability amounts for the years ended June 30, 2017 and 2016 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2017	\$ 733	\$ 23,426	\$ 22,219	\$ 1,940
2016	1,508	14,007	14,782	733

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$652,067 for the year ended June 30, 2017 and is recorded in the General Fund.

Note 10. Categorical Funding

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

Program	Amount
Home school assistance	\$ 170,450
Successful progression for early readers	1,964
Gifted and talented	36,095
Preschool state aid	78,405
Beginning teacher mentoring	6,658
Teacher salary supplement	6,675
Early intervention	18,830
Professional development for model core	52,019
Professional development	58,494
Teacher leadership	15,671
Total	\$ 445,261

Ballard Community School District

Notes to Basic Financial Statements

Note 11. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are 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. Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under tax abatement agreements of other entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Huxley, Iowa	Urban renewal and economic development projects	\$ 300,039

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 \$106,366.

Note 12. Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2017:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*: This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

GASB Statement No. 77, *Tax Abatement Disclosures*: This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the District's financial position and results of operations, including the District's ability to raise revenue sources in the futures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provided defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate stator or local government employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*: This Statement amends the blending requirements for the for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

The implementation of the above statements did not have a material impact to the District's financial statements.

Ballard Community School District

Notes to Basic Financial Statements

Note 12. Governmental Accounting Standards Board (GASB) (Continued)

As of June 30, 2017, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2018. This Statement replaces the requirements of *Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and *No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the District beginning with its fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the District beginning with its fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the identification criteria established by the Statement is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

Ballard Community School District

Notes to Basic Financial Statements

Note 12. Governmental Accounting Standards Board (GASB) (Continued)

GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will be effective for the District beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the District beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for in substance defeasance by providing guidance in transactions in which cash and other monetary assets acquired with only existing resources, resources other than those from proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also provides guidance on prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District's management has determined the implementation of GASB Statement No. 75 will have a significant impact on the District's financial statements. The effect the other GASB Statements will have on the District's financial statements has not yet been determined.

Note 13. Commitments

The District has entered into contract commitments with contractors for the completion of several construction projects. The total contract commitments are \$1,883,959 of which \$1,281,201 has been incurred as of June 30, 2017. The unpaid commitment balance is \$602,758.

In August 2017, the District approved contract commitments with contractors and vendors for construction projects and bus purchases of approximately \$369,000.

Ballard Community School District

**Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
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)
2012	7/1/2009	-	608,267	608,267	0.00%	9,065,000	6.71%
2013	7/1/2012	-	739,192	739,192	0.00%	9,629,000	7.68%
2014	7/1/2012	-	703,258	703,258	0.00%	8,785,000	8.01%
2015	7/1/2012	-	703,258	703,258	0.00%	9,204,000	7.64%
2016	7/1/2015	-	482,257	482,257	0.00%	9,722,000	4.96%
2017	7/1/2015	-	475,784	475,784	0.00%	10,377,000	4.58%

See Note 6 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Ballard Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2017**

	Governmental Funds - Actual	Enterprise Fund - Actual	Total Actual
Revenues:			
Local sources	\$ 9,317,767	\$ 502,549	\$ 9,820,316
State sources	13,033,738	5,339	13,039,077
Federal sources	323,106	244,398	567,504
Total revenues	22,674,611	752,286	23,426,897
Expenditures/expenses:			
Instruction	12,415,859	-	12,415,859
Support services	6,578,305	-	6,578,305
Noninstructional programs	-	751,746	751,746
Other expenditures	4,950,172	-	4,950,172
Total expenditures/expenses	23,944,336	751,746	24,696,082
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,269,725)	540	(1,269,185)
Other financing sources (uses):			
Issuance of refunding bonds	1,830,000	-	1,830,000
Proceeds from disposal of property	22,795	-	22,795
Interfund transfers in	1,198,192	-	1,198,192
Interfund transfers out	(1,198,192)	-	(1,198,192)
Total other financing sources (uses)	1,852,795	-	1,852,795
Net change in	583,070	540	583,610
Balance, beginning of year	7,338,594	44,679	7,383,273
Balance, end of year	\$ 7,921,664	\$ 45,219	\$ 7,966,883

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 9,425,324	\$ 9,425,324	\$ 394,992
13,603,279	\$ 13,603,279	(564,202)
517,908	517,908	49,596
<u>23,546,511</u>	<u>23,546,511</u>	<u>(119,614)</u>
12,572,064	12,572,064	156,205
7,068,770	7,068,770	490,465
398,207	398,207	(353,539)
3,580,643	5,500,000	549,828
<u>23,619,684</u>	<u>25,539,041</u>	<u>842,959</u>
<u>(73,173)</u>	<u>(1,992,530)</u>	<u>723,345</u>
-	-	1,830,000
-	-	22,795
1,142,435	1,142,435	55,757
<u>(1,137,335)</u>	<u>(1,137,335)</u>	<u>(60,857)</u>
<u>5,100</u>	<u>5,100</u>	<u>1,847,695</u>
(68,073)	(1,987,430)	2,571,040
7,383,273	7,383,273	-
<u>\$ 7,315,200</u>	<u>\$ 5,395,843</u>	<u>\$ 2,571,040</u>

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Ballard Community School District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Three Fiscal Years

	2017*		2016*		2015*
District's proportion of the net pension liability	0.135470%		0.134342%		0.134258%
District's proportionate share of the net pension liability	\$ 8,525,581	\$	6,637,157	\$	5,324,555
District's covered-employee payroll	\$ 9,722,751	\$	9,203,667	\$	8,785,276
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%		72.11%		60.61%
Plan fiduciary net pension as a percentage of the total pension liability	81.82%		85.19%		87.61%

*The amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See Notes to Required Supplementary Information.

Ballard Community School District

**Required Supplementary Information
Schedule of District Contributions (In Thousands)
Iowa Public Employees' Retirement System
Last Ten Fiscal Years**

	2017	2016	2015	2014
Statutorily required contribution	\$ 927	\$ 868	\$ 822	\$ 785
Contributions in relation to the statutorily required contribution	\$ (927)	\$ (868)	\$ (822)	\$ (785)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,377	\$ 9,723	\$ 9,204	\$ 8,785
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

See Notes to Required Supplementary Information.

	2013		2012		2011		2010		2009		2008
\$	802	\$	731	\$	575	\$	546	\$	484	\$	406
\$	(802)	\$	(731)	\$	(575)	\$	(546)	\$	(484)	\$	(406)
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	9,629	\$	9,065	\$	8,498	\$	8,211	\$	7,622	\$	6,711
	8.33%		8.06%		6.77%		6.65%		6.35%		6.04%

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Ballard Community School District

Notes to Required Supplementary Information

Note 1. Budgets and Budgetary Information

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 comparisons 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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended the budget to increase expenditures in the other function \$1,919,357.

During the year ended June 30, 2017, expenditures in the noninstructional programs function exceeded the amounts budgeted by \$353,539.

Note 2. Pension Liability

Changes of benefit terms: Legislation passed in 2010 modified benefit terms for current 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65. In 2008, legislative action transferred four groups – emergency medical service providers, county jailors, 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 quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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.

Ballard Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 947,168	\$ 266,857	\$ 1,214,025
Receivables:			
Property tax:			
Current year	3,428	-	3,428
Succeeding year	600,000	-	600,000
Other	600	165	765
Total assets	\$ 1,551,196	\$ 267,022	\$ 1,818,218
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities, accounts payable	\$ -	\$ 14,595	\$ 14,595
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	600,000	-	600,000
Fund balances, restricted	951,196	252,427	1,203,623
Total liabilities, deferred inflows of resources and fund balances	\$ 1,551,196	\$ 267,022	\$ 1,818,218

Ballard Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017**

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 550,404	\$ -	\$ 550,404
Other	34,124	515,163	549,287
State sources	11,903	-	11,903
Total revenues	596,431	515,163	1,111,594
Expenditures:			
Current:			
Instruction	208,275	503,955	712,230
Support services:			
Instructional staff services	-	2,670	2,670
Administration services	30,449	-	30,449
Operating and maintenance of plant services	191,470	55	191,525
Transportation services	61,808	-	61,808
Total expenditures	492,002	506,680	998,682
Excess of revenues over expenditures	104,429	8,483	112,912
Other financing (uses), transfers out	-	(8,992)	(8,992)
Net change in fund balances	104,429	(509)	103,920
Fund balances, beginning of year	846,767	252,936	1,099,703
Fund balances, end of year	\$ 951,196	\$ 252,427	\$ 1,203,623

Ballard Community School District

**Schedule of Combining Balance Sheet
Capital Project Fund - By Account
June 30, 2017**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,537,801	\$ 1,338,658	\$ 2,876,459
Receivables:			
Property tax:			
Current year	-	2,181	2,181
Succeeding year	-	452,954	452,954
Other receivables	3,164	-	3,164
Income surcharge tax	-	184,909	184,909
Intergovernmental	202,590	-	202,590
Total assets	\$ 1,743,555	\$ 1,978,702	\$ 3,722,257
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities, accounts payable	\$ 24,688	\$ 1,003,526	\$ 1,028,214
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	-	452,954	452,954
Income surcharge tax	-	184,909	184,909
Statewide sales, services and use tax	75,000	-	75,000
Total deferred inflows of resources	75,000	637,863	712,863
Fund Balances:			
Restricted for:			
School infrastructure	1,643,867	-	1,643,867
Physical plant and equipment	-	337,313	337,313
Total fund balances	1,643,867	337,313	1,981,180
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,743,555	\$ 1,978,702	\$ 3,722,257

Ballard Community School District

**Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Project Fund - By Account
Year Ended June 30, 2017**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 627,268	\$ 627,268
Other	27,562	5,254	32,816
State sources	1,535,817	10,080	1,545,897
Total revenues	1,563,379	642,602	2,205,981
Expenditures:			
Current:			
Support services:			
Instructional staff services	224,596	69,408	294,004
Administration services	401,501	224,371	625,872
Operation and maintenance of plant services	152,821	8,692	161,513
Student transportation	155,823	-	155,823
Other expenditures, facilities acquisition	-	1,616,040	1,616,040
Total expenditures	934,741	1,918,511	2,853,252
Excess (deficiency) of revenues over (under) expenditures	628,638	(1,275,909)	(647,271)
Other financing sources (uses),			
Sale of capital assets	10,000	-	10,000
Issuance of capital loan note	-	1,830,000	1,830,000
Transfers out	(861,877)	(327,323)	(1,189,200)
	(851,877)	1,502,677	650,800
Net change in fund balance	(223,239)	226,768	3,529
Fund balance, beginning of year	1,867,106	110,545	1,977,651
Fund balance, end of year	\$ 1,643,867	\$ 337,313	\$ 1,981,180

Ballard Community School District

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2017**

Account	Balance Beginning of Year	Revenues	Expenditures and Transfers Out	Balance End of Year
Drama/ Speech	\$ 10,798	\$ 6,728	\$ 7,482	\$ 10,044
Vocal Music	-	17,992	17,597	395
Middle School Vocal	9,370	13,355	10,374	12,351
Vocal Trip	936	7,096	4,761	3,271
West Elementary Vocal	820	26	804	42
Instrumental Music	37,708	12,203	28,191	21,720
Music Account	-	4,894	4,553	341
High School Bankd Trip	-	65,691	65,691	-
Elementary Band	4,885	824	-	5,709
East Elementary Vocal	414	255	299	370
Middle School Band	2,952	4,824	7,121	655
Dance Team	2,735	5,355	5,730	2,360
High School Yearbook	3,420	2,160	2,838	2,742
Middle School Yearbook	527	523	187	863
Elementary Activities	1,179	95	-	1,274
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	3,645	3,895	4,861	2,679
Cheer Team	3,254	3,153	1,396	5,011
High School Library Coffee Shop	527	60	60	527
Sci Club	500	-	-	500
Spanish Club	2,003	-	-	2,003
Model UN Club	-	546	478	68
Game Changers	350	26	37	339
FFA	14,683	25,783	23,000	17,466
Writer's Club	10	-	-	10
Legacy Club	30	-	-	30
Junior High Student Council	3,047	6,247	4,527	4,767
Senior High Student Council	2,616	15,268	15,048	2,836
National Honor Society	1,035	8,703	7,714	2,024
Conflict Managers	751	-	-	751
FCS Boxtops	-	1,289	-	1,289
East Elementary Student Council	6,204	5,848	9,504	2,548
West Elementary Student Council	8,992	3,588	5,061	7,519
Class of 2017	3,990	1,709	5,340	359
Class of 2018	719	9,822	8,232	2,309
Class of 2019	28	195	100	123
Class of 2020	4	88	30	62
Class of 2021	-	-	-	-
Class of 2022	-	-	-	-
Weight Program	1,481	-	1,481	-
Athletic Director	78,667	116,716	103,727	91,656
Cross Country	-	5,744	5,744	-
Cross Country Camp	5,107	2,189	1,234	6,062

(Continued)

Ballard Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2017

Account	Balance Beginning of Year	Revenues	Expenditures and Transfers Out	Balance End of Year
Boys Basketball	\$ -	\$ 11,087	\$ 11,087	\$ -
Boys Basketball Camp	4,903	19,105	22,619	1,389
Football	-	33,873	33,873	-
Football Camp	12,980	18,889	19,760	12,109
Soccer	-	3,425	3,425	-
Soccer Camp	1,403	4,732	3,396	2,739
Baseball	-	11,517	11,517	-
Baseball Camp	-	8,706	8,706	-
Boys Track	-	6,541	6,541	-
Boys Track Camp	335	300	191	444
Boys Tennis	-	3,200	3,200	-
Boys Tennis Camp	415	480	317	578
Boys Golf	-	1,045	1,045	-
Boys Golf Camp	571	957	886	642
Wrestling	-	10,805	10,805	-
Wrestling Camp	1,396	2,555	2,411	1,540
Girls Basketball	-	12,010	12,010	-
Girls Basketball Camp	4,688	16,397	14,107	6,978
Volleyball	-	8,257	8,257	-
Volleyball Camp	7,004	3,080	2,201	7,883
Girls Soccer	-	3,923	3,923	-
Girls Soccer Camp	1,818	1,949	1,447	2,320
Girls Softball	-	19,435	19,435	-
Girls Softball Camp	-	4,335	4,285	50
Girls Track	-	6,068	6,068	-
Girls Track Camp	1,276	300	694	882
Girls Tennis	-	914	914	-
Girls Tennis Camp	1,469	3,006	3,453	1,022
Girls Golf	-	692	692	-
Girls Golf Camp	1,206	4,583	5,098	691
Concessions	-	46,268	46,268	-
Intrafund transfers	-	(106,161)	(106,161)	-
Totals	\$ 252,936	\$ 515,163	\$ 515,672	\$ 252,427

Ballard Community School District

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Fund

Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 3,515	\$ 81,421	\$ 80,918	\$ 4,018
Liabilities				
Accounts payable	\$ 3,515	\$ 81,421	\$ 80,918	\$ 4,018

Ballard Community School District

**Schedule of Changes in Agency Fund by Account
Year Ended June 30, 2017**

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Account				
Wellness Team	\$ 671	\$ 5,132	\$ 5,534	\$ 269
GARP	1,598	-	-	1,598
East Elementary	103	1,005	688	420
Junior-Senior High	242	4,010	4,056	196
West Elementary	896	1,240	601	1,535
Registration	5	70,034	70,039	-
Total	<u>\$ 3,515</u>	<u>\$ 81,421</u>	<u>\$ 80,918</u>	<u>\$ 4,018</u>

Ballard Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds - Modified Accrual Basis
Last Ten Years**

	Years Ended June 30:			
	2017	2016	2015	2014
Revenues:				
Local sources:				
Local tax	\$ 7,061,411	\$ 7,051,300	\$ 6,813,570	\$ 6,422,547
Tuition	1,149,231	1,074,234	1,019,949	1,022,061
Other	1,107,125	854,493	835,451	704,479
State sources	13,033,738	12,572,420	12,079,074	11,250,360
Federal sources	323,106	329,049	317,743	298,423
Total revenues	\$ 22,674,611	\$ 21,881,496	\$ 21,065,787	\$ 19,697,870
Expenditures:				
Instruction	\$ 12,415,859	\$ 11,145,313	\$ 10,945,987	\$ 10,091,992
Support services:				
Student services	594,973	571,117	486,550	435,962
Instructional staff services	568,947	794,721	575,561	504,358
Administration services	2,727,884	2,130,530	2,133,343	1,716,062
Operation and maintenance of plant services	1,825,033	1,845,369	1,720,489	1,694,428
Transportation services	861,468	670,806	681,371	681,110
Noninstructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,616,040	4,220	9,556	71,881
Long-term debt:				
Principal	2,105,000	2,577,445	1,415,000	1,585,000
Interest and fiscal charges	577,065	893,820	952,011	991,607
AEA flowthrough	652,067	659,409	633,788	583,688
Total expenditures	\$ 23,944,336	\$ 21,292,750	\$ 19,553,656	\$ 18,356,088

Years Ended June 30:

	2013		2012		2011		2010		2009		2008
\$	7,556,219	\$	7,525,676	\$	7,117,650	\$	6,696,028	\$	5,891,714	\$	5,329,018
	995,118		947,571		942,213		866,226		830,879		878,697
	651,908		736,983		581,288		534,534		546,549		693,691
	9,442,018		9,395,275		8,675,653		7,306,731		7,843,517		7,388,811
	214,268		502,440		457,161		948,258		363,330		184,504
\$	18,859,531	\$	19,107,945	\$	17,773,965	\$	16,351,777	\$	15,475,989	\$	14,474,721
\$	10,509,305	\$	10,445,859	\$	9,391,240	\$	8,896,018	\$	8,617,706	\$	7,884,661
	461,705		452,895		425,010		392,979		432,881		363,167
	713,722		567,139		793,267		530,874		600,766		505,584
	1,575,133		1,751,222		1,650,802		1,397,948		1,300,294		1,454,255
	1,681,878		1,640,677		1,116,783		1,081,806		1,102,680		1,040,844
	793,592		753,160		617,300		662,198		557,309		577,067
	-		-		-		2,951		3,091		4,730
	306,940		3,628,808		13,608,332		8,734,116		2,217,070		766,441
	1,540,000		1,500,000		655,000		5,900,000		1,000,000		2,120,000
	1,031,725		1,066,844		1,078,398		364,160		209,768		242,930
	549,578		541,828		573,796		554,040		485,745		442,195
\$	19,163,578	\$	22,348,432	\$	29,909,928	\$	28,517,090	\$	16,527,310	\$	15,401,874

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

To the Board of Education
Ballard Community School District
Huxley, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ballard Community School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ballard 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about Ballard Community School 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.

Ballard Community School District's Responses to Findings

Ballard Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Ballard 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
November 30, 2017

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2017**

Part I: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2017-001

Finding: The District has insufficient segregation of duties over the cash disbursement function.

Condition: One position has the responsibility and access rights to set up new vendors or edit current vendors in the system, enter a purchase order into the system, receive invoices, enter invoices into the system to be paid, prints checks and after Board approval mail checks. This position also has general ledger access and reconciles bank statements and has access to purchase order approval signatures in the Administrative Office.

In addition, the same position that reconciles credit card and purchasing card statements also has access to the credit and purchasing cards.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: Access rights are not limited in the cash disbursement cycle.

Recommendation: In general, authorization of new vendors, entering invoices into the accounting system, and processing of checks should be segregated from each other. While we realize the District has limited staff, we provide the following recommendations to strengthen the District's internal control system:

- We recommend the District remove the access to the vendor master file and the remove the general ledger access so that the position is unable to void checks and post to the general ledger.
- We recommend that check sequence be tracked by someone independent of the cash disbursement function to ensure all checks are appropriately approved and accounted for. Any gaps in sequence should be accounted for and investigated. The person accounting for check sequence should also ensure that all checks accounted for are listed on the Bills Listing sent to the Board for review each month, including any manual checks written between Board meetings or payroll deduction checks written on expenditure check stock.
- All credit card and purchasing card statements should be reviewed for propriety by an employee that does not have access to the credit cards. Credit cardholders should be receiving credit card statements and agreeing all charges to receipts.
- Another position should receive the monthly bank statement and review the cancelled checks to look for any unusual payees, amounts and to ensure the signatures were proper. This position should review the monthly bank reconciliations and compare the bank balances to the monthly bank statement, book balance to the general ledger system and make sure there are no unusual reconciling items listed on the reconciliation.

Ballard Community School District

Schedule of Findings and Responses Year Ended June 30, 2017

- We recommend the District investigate electronic approvals of purchase orders and invoices within the software systems currently in use to provide a more efficient and more thorough review of all purchases by administrative personnel. Electronic approvals would be required before the employee with access to enter invoices could process payments.

Response and Corrective Action Plan: The District is in the process of implementing new assignments and job duties to improve segregation of duties.

2017-002

Finding: The District has inadequate segregation of duties over the cash receipts process.

Condition: The individuals that collect cash receipts also have the ability to access cash, prepare the deposit slip, deposit the funds at the financial institution, and post the receipts to the system. In the case of activity funds, the employee also reconciles the bank statement.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash receipts function.

Recommendation: Ideally, the position responsible for collecting receipts should be segregated from the individual posting receipts to the system and reconciling accounts. While we realize the District has a limited number of staff, we provide the following recommendations to strengthen the District's internal control system:

- Employees with billing and posting authorization should not handle checks or cash. We recommend reviewing current assignments to determine if all cash and checks could be received by the same person that prepares the deposit slip and goes to the bank. However, this person should not have posting access. A separate person would post the receipts and reconcile the bank statements.
- When money is collected at the high school or grade school, a pre-numbered receipt is provided to the person making the payment. The Business Office should monitor the receipt books and receipt number ranges and monthly reconcile the total receipts distributed to the bank deposits. Alternatively, the District should investigate using an electronic receipt system for all collections at the schools and provide receipts directly from the software at the collection point.
- To provide improved monitoring controls, we recommend all activity fund sponsors are provided a listing of all deposits and all disbursements from their applicable activity fund on a monthly basis. The activity fund sponsor would be required to review the report to ensure the deposits and disbursements are proper and authorized.
- Currently all cash and checks are routed from the schools to the Administrative Offices to be recounted, manually posted into the financial software and deposited. We recommend the District consider having the administrative assistants at each building enter the receipts into an electronic receipting software, prepare the deposit and a courier take the deposit directly to the bank. The electronic receipting system would interface with the District's general ledger software and provide more timely and accurate revenue information as well as improve controls over access to revenue.

Response and Corrective Action Plan: The District will review current assignments to determine if realignment of duties is possible to improve segregation.

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2017**

Part II: Other Findings Related to Statutory Reporting

II-A-17

Certified Budget –

Finding: Expenditures for the year ended June 30, 2017, exceeded the amounts budgeted at year-end for the noninstructional programs function.

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

Response: The District will amend future budgets in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

II-B-17

Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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 insure that the coverage is adequate for current operations.

II-F-17

Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-17

Certified Enrollment - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-17

Supplementary Weighting-

Finding: The Department of Management identified variances in supplementary weighting certified to the state in October 2016.

Recommendation: We recommend the District review courses prior to submission to ensure accuracy of the information certified to the state.

Response and Corrective Action Plan: The District will continue to review data prior to submission.

Conclusion: Response accepted.

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2017**

II-I-17

Deposits and Investments – No instances of noncompliance 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 certified to the Iowa Department of Education timely.

II-K-17

Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-17

Statewide Sales and Services Tax – No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of 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 and services 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 and services tax revenue:

Beginning balance	\$ 1,867,106
Revenue / transfers in:	
Statewide sales and services tax revenue	1,535,817
Transfers in/other	37,562
Expenditures/transfers out:	
Transfers out	861,877
Capital outlay for facilities and property and equipment	934,741
Ending balance	<u><u>\$ 1,643,867</u></u>

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