

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Stephanie Konradi	President	2019
Tony Bennett	Vice President	2019
Crystal Endrulat	Board Member	2017
Ryan Goodman	Board Member	2019
Danika Kinkeldey	Board Member	2017
Myra Meek	Board Member	2019
Jeff Rasmussen	Board Member	2017
School Officials		
Terry Kenealy	Superintendent	2017
Kathy Leonard	District Secretary/ Business Manager	2017
Rick Franck	Attorney	2017

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Battle Creek-Ida Grove Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District, Ida Grove, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The financial statements of the William W. Smith Endowment have not been audited, and we were not engaged to audit the Endowment financial statements as part of our audit of the Battle Creek-Ida Grove Community School District's basic financial statements. The Endowment's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Endowment's financial statements and because we did not apply any auditing procedures to the Endowment's financial statements, we do not express an opinion on the discretely presented component unit.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit

The financial statements of the William W. Smith Endowment have not been audited, and we were not engaged to audit the William W. Smith Endowment as part of our audit of the District's basic financial statements. The William W. Smith Endowment's financial activities are included in the District's basic financial statements as a discretely presented component unit.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the aggregate discretely presented component units of the Battle Creek-Ida Grove Community School District as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified 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 Battle Creek-Ida Grove 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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 46 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2018 on our consideration of Battle Creek-Ida Grove Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Battle Creek-Ida Grove Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2018
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- The District's total net position decreased from \$3,560,734 at June 30, 2016 to \$3,306,568 at June 30, 2017. Total revenues increased from \$9,847,952 in fiscal year 2016 to \$10,142,909 in fiscal year 2017, a 3.00% increase, while total expenses increased from \$9,521,497 in fiscal year 2016 to \$10,397,075 in fiscal year 2017, a 9.20% increase compared to the prior year.
- General Fund revenues increased from \$8,073,762 in fiscal year 2016 to \$8,272,525 in fiscal year 2017, while General Fund expenditures increased from \$8,125,657 in fiscal year 2016 to \$8,353,893 in fiscal year 2017. This resulted in a decrease in the District's General Fund balance from \$1,699,399 at June 30, 2016 to \$1,618,031 at June 30, 2017, a 4.79% decrease from the prior year.
- The increase in General Fund revenue was attributable to an increase in local tax received as compared to the previous year. The increase in expenditures was due primarily to an increase in regular instruction expenditures incurred compared to the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Battle Creek-Ida Grove 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 Battle Creek-Ida Grove Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Battle Creek-Ida Grove Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

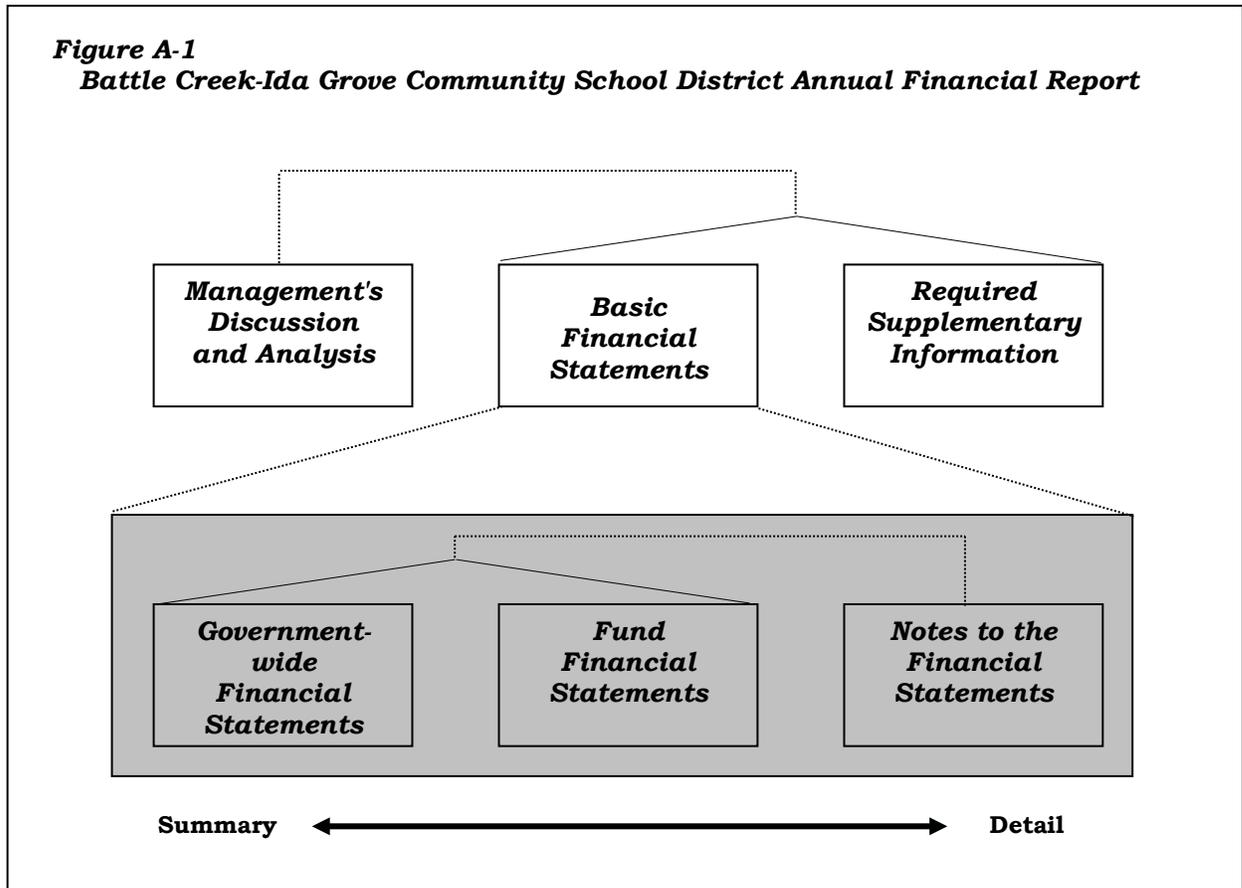


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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: food service, day care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component Unit:* This includes the activities of the William W. Smith Endowment. The District receives significant financial benefits from the Foundation although they are legally separate entities.

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.

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 7,372,799	9,023,671	119,503	123,148	7,492,302	9,146,819	-18.09%
Capital assets	9,007,786	8,121,793	41,867	35,948	9,049,653	8,157,741	10.93%
Total assets	16,380,585	17,145,464	161,370	159,096	16,541,955	17,304,560	-4.41%
Deferred outflows of resources	1,271,172	603,225	34,666	15,582	1,305,838	618,807	111.03%
Long-term liabilities	9,868,487	9,243,459	99,089	73,165	9,967,576	9,316,624	6.99%
Other liabilities	1,063,817	1,359,324	26,456	7,287	1,090,273	1,366,611	-20.22%
Total liabilities	10,932,304	10,602,783	125,545	80,452	11,057,849	10,683,235	3.51%
Deferred inflows of resources	3,479,155	3,669,692	4,221	9,706	3,483,376	3,679,398	-5.33%
Net position:							
Net investment in capital assets	3,391,786	3,043,220	41,867	35,948	3,433,653	3,079,168	11.51%
Restricted	1,420,410	1,920,755	-	-	1,420,410	1,920,755	-26.05%
Unrestricted	(1,571,898)	(1,487,761)	24,403	48,572	(1,547,495)	(1,439,189)	-7.53%
Total net position	\$ 3,240,298	3,476,214	66,270	84,520	3,306,568	3,560,734	-7.14%

The District's total net position decreased by 7.14%, or \$254,166 from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$500,345, or 26.05% from the prior year. The

decrease in restricted net position was primarily a result of the decrease in fund balance of the Capital Projects Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$108,306, or 7.53%.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 1,650,203	1,566,223	139,821	125,697	1,790,024	1,691,920	5.80%
Operating grants, contributions and restricted interest	698,278	719,002	200,789	201,575	899,067	920,577	-2.34%
General revenues:							
Property tax	3,233,843	3,068,381	-	-	3,233,843	3,068,381	5.39%
Income surtax	41,806	21,414	-	-	41,806	21,414	95.23%
Statewide sales, services and use tax	611,734	620,313	-	-	611,734	620,313	-1.38%
Unrestricted state grants	3,513,045	3,444,216	-	-	3,513,045	3,444,216	2.00%
Unrestricted investment earnings	13,061	8,299	250	65	13,311	8,364	59.15%
Other	39,249	72,232	830	535	40,079	72,767	-44.92%
Total revenues	9,801,219	9,520,080	341,690	327,872	10,142,909	9,847,952	3.00%
Program expenses:							
Instruction	6,636,795	6,249,731	-	-	6,636,795	6,249,731	6.19%
Support services	2,743,757	2,390,510	19,410	472	2,763,167	2,390,982	15.57%
Non-instructional programs	-	-	340,530	298,633	340,530	298,633	14.03%
Other expenses	656,583	582,151	-	-	656,583	582,151	12.79%
Total expenses	10,037,135	9,222,392	359,940	299,105	10,397,075	9,521,497	9.20%
Change in net position	(235,916)	297,688	(18,250)	28,767	(254,166)	326,455	-177.86%
Net position beginning of year	3,476,214	3,178,526	84,520	55,753	3,560,734	3,234,279	10.09%
Net position end of year	\$ 3,240,298	3,476,214	66,270	84,520	3,306,568	3,560,734	-7.14%

In fiscal year 2017, property tax and unrestricted state grants accounted for 68.84% of the revenue from governmental activities, while charges for service and operating grants and contributions accounted 99.68% of the revenue for the business type activities.

The District's total revenues were approximately \$10.14 million, of which approximately \$9.80 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown, in Figure A-4, the District as a whole experienced an increase of 3.00% in revenues and an increase of 9.20% in expenditures. The increase in revenues was a result of an increase in property tax revenues received compared to the prior fiscal year. The increase in expenses is primarily due to an increase in instruction expenses incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$9,801,219 and expenses were \$10,037,135 for the year ended June 30, 2017.

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

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 6,636,795	6,249,731	6.19%	4,779,168	4,451,695	7.36%
Support services	2,743,757	2,390,510	14.78%	2,522,457	2,178,208	15.80%
Other expenses	656,583	582,151	12.79%	387,029	307,264	25.96%
Total	\$ 10,037,135	9,222,392	8.83%	7,688,654	6,937,167	10.83%

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$1,650,203.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$698,278.
- The net cost of governmental activities was financed with \$3,233,843 in property tax, \$41,806 in income surtax, \$611,734 in statewide sales, services and use tax, \$3,513,045 in unrestricted state grants, \$13,061 in interest income and \$39,249 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities for the year ended June 30, 2017, were \$341,690 representing a 4.21% increase from the prior year, while expenses totaled \$359,940, a 20.34% increase from the prior year. The District’s business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Battle Creek-Ida Grove 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 \$3,032,171, below last year’s ending combined fund balances of \$4,461,278. The primary reason for the decrease is due to the decrease of the Capital Projects Fund balance during fiscal year 2017 due to continued capital outlay expenditures incurred on outstanding construction projects.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,699,399 at June 30, 2016 to \$1,618,031 at June 30, 2017. An increase in local tax received during the year as compared to the prior year resulted in an increase in revenues. The increase in regular instruction expenditures resulted in an increase in total expenditures. Expenditures still outpaced revenues for the year ensuring a decrease in ending fund balance.
- The Capital Projects Fund balance decreased from \$1,552,515 at June 30, 2016 to \$287,131 at June 30, 2017. The decrease in fund balances can be attributed to continued capital outlay expenditures incurred on outstanding construction projects.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$66,330 at June 30, 2016 to \$48,080 at June 30, 2017, representing a decrease of 27.51%. The Day Care Fund net position remained unchanged at a net position of \$18,190 from June 30, 2016 to June 30, 2017.

BUDGETARY HIGHLIGHTS

Over the course of the year, Battle Creek-Ida Grove Community School District amended its budget one time to reflect additional bond revenue payment expenditures incurred associated with the elementary addition construction costs.

The District's revenues were \$53,757 more than budgeted revenues, a variance of 0.53%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$9,049,653, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 10.93% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$389,976.

The original cost of the District's capital assets was \$15,168,111. Governmental activities accounted for \$15,030,280 with the remainder of \$137,831 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's construction in progress totaled \$7,962,931 at June 30, 2017, compared to \$3,700,340 at June 30, 2016. This increase is due to the completion of elementary addition construction projects.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 73,855	73,855	-	-	73,855	73,855	0.00%
Construction in progress	-	3,428,182	-	-	-	3,428,182	-100.00%
Buildings	7,962,931	3,700,340	-	-	7,962,931	3,700,340	115.19%
Land improvements	606,992	650,700	-	-	606,992	650,700	-6.72%
Machinery and equipment	364,008	268,716	41,867	35,948	405,875	304,664	33.22%
Total	\$ 9,007,786	8,121,793	41,867	35,948	9,049,653	8,157,741	10.93%

Long-Term Debt

At June 30, 2017, the District had \$5,616,000 in long-term debt outstanding. This represents a decrease of 5.77% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-17
Revenue bonds	\$ 5,616,000	5,960,000	-5.77%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low supplemental state aid over several years and little or no gain in certified student count, both which negatively impact the district's Unspent Authorized Budget (UAB) (previously known as Unspent Balance) FY 2016-2017 shows a decrease of approximately \$127,216. To help offset future negative trends, the district must realize annual contractual increases and must monitor any program changes with consideration of the Unspent Budget Authority.
- The district continued discussions with the Odebolt-Arthur Board regarding the sharing of staff and resources. Prior to the end of FY 2016-2017, the following sharing agreements were approved for FY 17-18: Superintendent, Maintenance Director, Transportation Director, Business Manager Services, State Reporting Services, Director of Innovation, District Librarian and Curriculum Director. The district is eligible for the maximum amount of funding for several of these shared positions. Since the cost for salaries and benefits for these positions are shared between the two districts, whether the staff member is a OA employee or BCIG employee, BCIG realizes general fund savings as well. The district continues to monitor any legislative action that might add additional eligible positions.

-
- In 2016-2017, the district was in its eighth year of a whole grade sharing agreement with Odebolt-Arthur for grades 6-12. Both districts have seen financial savings due to efficiencies in staff and shared costs as well as increased academic offerings for students. We continue to investigate opportunities to share staff as well as supplies, equipment, etc. that would create a savings for either district.
 - The administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education programs.
 - BCIG Added 2 full time certified teaching positions in FY 16-17 adding an additional \$100,000 in GF expenses for salary and benefits. General Fund budget reductions were implemented for FY 17-18 based on projected year-end expenditures for FY 16-17.

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 Kathy Leonard, District Secretary/Business Manager, Battle Creek-Ida Grove Community School District, 900 John Montgomery Drive, Ida Grove, Iowa, 51445.

BASIC FINANCIAL STATEMENTS

**BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government			Component Unit *
	Governmental Activities	Business Type Activities	Total	William W. Smith Endowment
ASSETS				
Cash and pooled investments	\$ 3,740,539	107,587	3,848,126	674,078
Receivables:				
Property tax:				
Delinquent	50,005	-	50,005	-
Succeeding year	3,299,690	-	3,299,690	-
Income surtax	40,973	-	40,973	-
Accounts	4,153	-	4,153	-
Due from other funds	18,817	-	18,817	-
Due from other governments	218,622	5,549	224,171	-
Inventories	-	6,367	6,367	-
Capital assets not being depreciated:				
Land	73,855	-	73,855	-
Capital assets, net of accumulated depreciation				
Buildings and land improvements and machinery and equipment	8,933,931	41,867	8,975,798	-
TOTAL ASSETS	16,380,585	161,370	16,541,955	674,078
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	1,271,172	34,666	1,305,838	-
LIABILITIES				
Due to other funds	-	18,817	18,817	
Accounts payable	262,737	1,971	264,708	-
Salaries and benefits payable	737,228	-	737,228	-
Accrued interest payable	63,852	-	63,852	-
Unearned revenue	-	5,668	5,668	-
Long-term liabilities:				
Portion due within one year:				
Termination benefits payable	75,117	-	75,117	-
Revenue bonds payable	370,000	-	370,000	-
Portion due after one year:				
Revenue bonds payable	5,246,000	-	5,246,000	-
Net pension liability	3,986,518	99,089	4,085,607	-
Net OPEB liability	190,852	-	190,852	-
TOTAL LIABILITIES	10,932,304	125,545	11,057,849	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	3,299,690	-	3,299,690	-
Pension related deferred inflows	179,465	4,221	183,686	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,479,155	4,221	3,483,376	-
NET POSITION				
Net investment in capital assets	3,391,786	41,867	3,433,653	-
Restricted for:				
District support	-	-	-	674,078
Categorical funding	145,239	-	145,239	-
Management levy purposes	496,736	-	496,736	-
Student activities	121,303	-	121,303	-
School infrastructure	55,821	-	55,821	-
Physical plant and equipment	231,310	-	231,310	-
Debt service	370,001	-	370,001	-
Unrestricted	(1,571,898)	24,403	(1,547,495)	-
TOTAL NET POSITION	\$ 3,240,298	66,270	3,306,568	674,078

* Component unit information is on a cash basis with a year end of December 31, 2016.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit ** William W. Smith Endowment
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,635,541	992,067	87,031	(3,556,443)	-	(3,556,443)	-
Special	981,932	181,203	76,847	(723,882)	-	(723,882)	-
Other	1,019,322	259,868	260,611	(498,843)	-	(498,843)	-
	<u>6,636,795</u>	<u>1,433,138</u>	<u>424,489</u>	<u>(4,779,168)</u>	<u>-</u>	<u>(4,779,168)</u>	<u>-</u>
Support services:							
Student	167,347	-	-	(167,347)	-	(167,347)	-
Instructional staff	466,385	18,050	985	(447,350)	-	(447,350)	-
Administration	906,878	129,605	-	(777,273)	-	(777,273)	-
Operation and maintenance of plant	718,498	43,917	-	(674,581)	-	(674,581)	-
Transportation	484,649	25,493	3,250	(455,906)	-	(455,906)	-
	<u>2,743,757</u>	<u>217,065</u>	<u>4,235</u>	<u>(2,522,457)</u>	<u>-</u>	<u>(2,522,457)</u>	<u>-</u>
Long-term debt interest	127,704	-	-	(127,704)	-	(127,704)	-
Other expenses:							
AEA flowthrough	269,554	-	269,554	-	-	-	-
Depreciation(unallocated)*	259,325	-	-	(259,325)	-	(259,325)	-
	<u>528,879</u>	<u>-</u>	<u>269,554</u>	<u>(259,325)</u>	<u>-</u>	<u>(259,325)</u>	<u>-</u>
Total governmental activities	<u>10,037,135</u>	<u>1,650,203</u>	<u>698,278</u>	<u>(7,688,654)</u>	<u>-</u>	<u>(7,688,654)</u>	<u>-</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	19,410	-	-	-	(19,410)	(19,410)	-
Non-instructional programs:							
Food service operations	340,530	139,821	200,789	-	80	80	-
Total business type activities	<u>359,940</u>	<u>139,821</u>	<u>200,789</u>	<u>-</u>	<u>(19,330)</u>	<u>(19,330)</u>	<u>-</u>
Total primary government	<u>\$ 10,397,075</u>	<u>1,790,024</u>	<u>899,067</u>	<u>(7,688,654)</u>	<u>(19,330)</u>	<u>(7,707,984)</u>	<u>-</u>
Total component unit	<u>\$ 12,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,504)</u>
General Revenues:							
Local tax for:							
General purposes				\$ 2,792,077	-	2,792,077	-
Capital outlay				441,766	-	441,766	-
Income surtax				41,806	-	41,806	-
Statewide sales, services and use tax				611,734	-	611,734	-
Unrestricted state grants				3,513,045	-	3,513,045	-
Unrestricted investment earnings				13,061	250	13,311	15,445
Unrealized gain on investments				-	-	-	33,863
Realized gain on investments				-	-	-	8,802
Other				39,249	830	40,079	-
Total general revenues				<u>7,452,738</u>	<u>1,080</u>	<u>7,453,818</u>	<u>58,110</u>
Change in net position				(235,916)	(18,250)	(254,166)	45,606
Net position beginning of year				<u>3,476,214</u>	<u>84,520</u>	<u>3,560,734</u>	<u>628,472</u>
Net position end of year				<u>\$ 3,240,298</u>	<u>66,270</u>	<u>3,306,568</u>	<u>674,078</u>

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

** Component unit information is on a cash basis with a year end of December 31, 2016.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,375,041	234,699	1,130,799	3,740,539
Receivables:				
Property tax:				
Delinquent	40,429	6,782	2,794	50,005
Succeeding year	2,688,151	451,539	160,000	3,299,690
Income surtax	40,973	-	-	40,973
Accounts	4,153	-	-	4,153
Due from other funds	18,817	-	-	18,817
Due from other governments	167,790	50,832	-	218,622
TOTAL ASSETS	\$ 5,335,354	743,852	1,293,593	7,372,799
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	250,971	5,182	6,584	262,737
Salaries and benefits payable	737,228	-	-	737,228
Total liabilities	988,199	5,182	6,584	999,965
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,688,151	451,539	160,000	3,299,690
Income surtax	40,973	-	-	40,973
Total deferred inflows of resources	2,729,124	451,539	160,000	3,340,663
Fund balances:				
Restricted for:				
Categorical funding	145,239	-	-	145,239
Management levy purposes	-	-	571,853	571,853
Student activities	-	-	121,303	121,303
School infrastructure	-	55,821	-	55,821
Physical plant and equipment	-	231,310	-	231,310
Debt service	-	-	433,853	433,853
Assigned	11,491	-	-	11,491
Unassigned	1,461,301	-	-	1,461,301
Total fund balances	1,618,031	287,131	1,127,009	3,032,171
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,335,354	743,852	1,293,593	7,372,799

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds(page 20)	\$	3,032,171
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,007,786
Accounts receivable income surtax, is not available to finance expenditures of the current fiscal year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		40,973
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(63,852)
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	\$ 1,271,172	
Deferred inflows of resources	<u>(179,465)</u>	1,091,707
Long-term liabilities, including revenue bonds payable, other postemployment benefits payable, net pension liability and termination benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(9,868,487)</u>
Net position of governmental activities(page 18)	\$	<u><u>3,240,298</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,652,067	441,766	180,276	3,274,109
Tuition	565,147	-	-	565,147
Other	891,104	-	283,079	1,174,183
State sources	3,929,313	619,889	3,359	4,552,561
Federal sources	233,679	-	-	233,679
Total revenues	<u>8,271,310</u>	<u>1,061,655</u>	<u>466,714</u>	<u>9,799,679</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,892,482	1,331	176,346	4,070,159
Special	999,893	-	-	999,893
Other	1,140,210	-	218,634	1,358,844
	<u>6,032,585</u>	<u>1,331</u>	<u>394,980</u>	<u>6,428,896</u>
Support services:				
Student	153,030	-	40,850	193,880
Instructional staff	240,957	213,766	-	454,723
Administration	772,696	-	9,276	781,972
Operation and maintenance of plant	518,288	56,397	118,175	692,860
Transportation	366,783	144,785	10,383	521,951
	<u>2,051,754</u>	<u>414,948</u>	<u>178,684</u>	<u>2,645,386</u>
Capital outlay	-	1,419,140	-	1,419,140
Long-term debt:				
Principal	-	-	344,000	344,000
Interest and fiscal charges	-	-	129,109	129,109
	<u>-</u>	<u>-</u>	<u>473,109</u>	<u>473,109</u>
Other expenditures:				
AEA flowthrough	269,554	-	-	269,554
Total expenditures	<u>8,353,893</u>	<u>1,835,419</u>	<u>1,046,773</u>	<u>11,236,085</u>
Deficiency of revenues under expenditures	(82,583)	(773,764)	(580,059)	(1,436,406)
Other financing sources(uses):				
Transfer in	-	-	497,704	497,704
Transfer out	-	(497,704)	-	(497,704)
Compensation for loss on capital assets	1,215	-	-	1,215
Proceeds from sale of equipment	-	6,084	-	6,084
Total other financing sources(uses)	<u>1,215</u>	<u>(491,620)</u>	<u>497,704</u>	<u>7,299</u>
Change in fund balances	(81,368)	(1,265,384)	(82,355)	(1,429,107)
Fund balances beginning of year	<u>1,699,399</u>	<u>1,552,515</u>	<u>1,209,364</u>	<u>4,461,278</u>
Fund balances end of year	<u>\$ 1,618,031</u>	<u>287,131</u>	<u>1,127,009</u>	<u>3,032,171</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

Change in fund balances - total governmental funds(page 22) \$ (1,429,107)

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

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

Capital outlay	\$ 1,262,931	
Depreciation expense	<u>(376,938)</u>	885,993

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current year issuances and repayments are as follows:

Repaid		344,000
--------	--	---------

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

1,405

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

1,540

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

414,002

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

Termination benefits	40,437	
Other postemployment benefits	(30,566)	
Pension expense	<u>(463,620)</u>	<u>(453,749)</u>

Change in net position of governmental activities(page 19) \$ (235,916)

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business Type Activities: Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Cash and pooled investments	\$ 89,397	18,190	107,587
Due from other governments	5,549	-	5,549
Inventories	6,367	-	6,367
Capital assets, net of accumulated depreciation	41,867	-	41,867
TOTAL ASSETS	143,180	18,190	161,370
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	34,666	-	34,666
LIABILITIES			
Current liabilities:			
Due to other funds	18,817	-	18,817
Accounts payable	1,971	-	1,971
Unearned revenue	5,668	-	5,668
Total current liabilities	26,456	-	26,456
Noncurrent liabilities:			
Net pension liability	99,089	-	99,089
TOTAL LIABILITIES	125,545	-	125,545
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	4,221	-	4,221
NET POSITION			
Net investment in capital assets	41,867	-	41,867
Unrestricted	6,213	18,190	24,403
TOTAL NET POSITION	\$ 48,080	18,190	66,270

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 139,821	-	139,821
Miscellaneous	830	-	830
Total operating revenues	140,651	-	140,651
Operating expenses:			
Support services:			
Operation and maintenance of plant:			
Services	19,410	-	19,410
Non-instructional programs:			
Food service operations:			
Salaries	119,902	-	119,902
Benefits	21,150	-	21,150
Services	2,188	-	2,188
Supplies	182,027	-	182,027
Other	125	-	125
Depreciation	13,038	-	13,038
Total operating expenses	357,840	-	357,840
Operating loss	(217,189)	-	(217,189)
Non-operating revenues(expenses):			
State sources	2,803	-	2,803
Federal sources	197,986	-	197,986
Loss on asset disposal	(2,100)	-	(2,100)
Interest income	250	-	250
Total non-operating revenues(expenses)	198,939	-	198,939
Change in net position	(18,250)	-	(18,250)
Net position beginning of year	66,330	18,190	84,520
Net position end of year	\$ 48,080	18,190	66,270

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business Type Activities: Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 140,553	-	140,553
Cash received from miscellaneous	830	-	830
Cash payments to employees for services	(139,697)	-	(139,697)
Cash payments to suppliers for goods or services	(171,017)	-	(171,017)
Net cash used by operating activities	(169,331)	-	(169,331)
Cash flows from non-capital financing activities:			
Borrowings from General Fund	627	-	627
State grants received	2,803	-	2,803
Federal grants received	166,281	-	166,281
Net cash provided by non-capital financing activities	169,711	-	169,711
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(21,057)	-	(21,057)
Cash flows from investing activities:			
Interest on investments	250	-	250
Net decrease in cash and pooled investments	(20,427)	-	(20,427)
Cash and pooled investments at beginning of year	109,824	18,190	128,014
Cash and pooled investments at end of year	\$ 89,397	18,190	107,587
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (217,189)	-	(217,189)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	27,895	-	27,895
Depreciation	13,038	-	13,038
Decrease in inventories	5,218	-	5,218
Decrease in accounts payable	(380)	-	(380)
Increase in net pension liability	25,924	-	25,924
Increase in deferred outflows of resources	(19,084)	-	(19,084)
Decrease in deferred inflows of resources	(5,485)	-	(5,485)
Increase in unearned revenue	732	-	732
Net cash used by operating activities	\$ (169,331)	-	(169,331)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received Federal commodities valued at \$27,895.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
ASSETS	
Cash and pooled investments	\$ 1,500
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 1,500</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 1,500
Deductions:	-
Change in net position	1,500
Net position beginning of year	-
Net position end of year	\$ 1,500

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Battle Creek-Ida Grove 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.

These financial statements present the Battle Creek-Ida Grove Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - The William W. Smith Endowment was established for the purpose of expanding and improving the physical facilities or equipment used in teaching physical and chemical sciences and mathematics. The William W. Smith Endowment is a legally separate entity with its own board of trustees and accounting records. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Endowment meets the definition of a component unit which should be discretely presented. The Endowment is accounted for as a component unit in these financial statements with the year ending December 31, 2016.

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-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 other non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as

they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the

budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at 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.

At June 30, 2017, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$232,165 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 18,817

The Nutrition Fund is repaying the General Fund for salaries incurred at the fiscal year end.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 497,704

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

(5) 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	\$ 73,855	-	-	73,855
Construction in progress	3,428,182	1,050,026	4,478,208	-
Total capital assets not being depreciated	3,502,037	1,050,026	4,478,208	73,855
Capital assets being depreciated:				
Buildings	7,174,748	4,478,208	-	11,652,956
Land improvements	1,090,036	-	-	1,090,036
Machinery and equipment	2,059,187	212,905	58,659	2,213,433
Total capital assets being depreciated	10,323,971	4,691,113	58,659	14,956,425
Less accumulated depreciation for:				
Buildings	3,474,408	215,617	-	3,690,025
Land improvements	439,336	43,708	-	483,044
Machinery and equipment	1,790,471	117,613	58,659	1,849,425
Total accumulated depreciation	5,704,215	376,938	58,659	6,022,494
Total capital assets being depreciated, net	4,619,756	4,314,175	-	8,933,931
Governmental activities capital assets, net	\$ 8,121,793	5,364,201	4,478,208	9,007,786
Business type activities:				
Machinery and equipment	\$ 122,809	21,057	6,035	137,831
Less accumulated depreciation	86,861	13,038	3,935	95,964
Business type activities capital assets, net	\$ 35,948	8,019	2,100	41,867

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:		
Regular		\$ 56,283
Other		14,404
Support services:		
Instructional staff		1,673
Administration		2,405
Operation and maintenance of plant		4,957
Transportation		37,891
		<u>117,613</u>
Unallocated depreciation		<u>259,325</u>
Total governmental activities depreciation expense		<u>\$ 376,938</u>

Business type activities:

Food service operations		<u>\$ 13,038</u>
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(6) 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	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 5,960,000	-	344,000	5,616,000	370,000
Termination benefits	115,554	75,117	115,554	75,117	75,117
Net OPEB liability	160,286	32,767	2,201	190,852	-
Net pension liability	3,007,619	978,899	-	3,986,518	-
Total	\$ 9,243,459	1,086,783	461,755	9,868,487	445,117
Business type activities:					
Net pension liability	\$ 73,165	25,924	-	99,089	-

Revenue Bonds

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated July 6, 2012			Bond issue dated July 3, 2015			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2018	1.325	95,000	42,051	0.90	275,000	83,787	370,000	125,838	495,838
2019	1.575	95,000	40,674	1.10	279,000	81,015	374,000	121,689	495,689
2020	1.875	100,000	38,988	1.40	279,000	77,528	379,000	116,516	495,516
2021	2.125	100,000	36,988	1.50	284,000	73,445	384,000	110,433	494,433
2022	2.275	105,000	34,731	1.75	286,000	68,812	391,000	103,543	494,543
2023-2027	2.425-3.125	555,000	131,333	1.90-2.55	1,525,000	253,748	2,080,000	385,081	2,465,081
2028-2030	3.350-3.60	515,000	34,973	2.70-3.10	1,123,000	55,589	1,638,000	90,562	1,728,562
Total		\$ 1,565,000	359,738		\$ 4,051,000	693,923	\$ 5,616,000	1,053,661	6,669,661

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,895,000 of bonds issued July 2012 and \$4,300,000 of bonds issued July 2015. The bonds were issued for the purpose of financing capital improvements to the elementary building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 81% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,669,661. For the current year, \$344,000 in principal and \$129,109 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$611,734.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) No bond reserve is required for either revenue bond issuance listed above by United Bank of Iowa, the holder of the bonds.

- b) The bonds will only be redeemed from future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- c) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

During fiscal year 2017, the District approved a voluntary early retirement plan for employees. This plan was only offered to employees during the 2016-2017 school year. Eligible employees must have completed at least fifteen years of service for the District, be employed by the District in the year prior to retirement and must have reached at least age 55 at the time of retirement. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal a cash benefit of 80% of the licensed staff member's base salary which will be paid in three installments. The first 25% will be paid on or before July 31, 2017, another 25% will be paid on or before October 31, 2017 and the remaining 50% will be paid on or before December 31, 2017. Upon retirement, the retiree shall be eligible to continue participation in the District's group insurance plan with the retiree being responsible for the full amount of the monthly premium.

At June 30, 2017, the District had obligations to two participants with a total liability of \$75,117 which will be paid in full in the succeeding fiscal year.

(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 information purposes only. Refer to the plan documents for more information.

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the

reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2017 were \$424,923.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$4,085,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's collective proportion was 0.064920 percent, which was an increase of 0.002562 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$475,897. 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	\$ 36,109	\$ 48,760
Changes of assumptions	62,334	-
Net difference between projected and actual earnings on IPERS' investments	582,070	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	200,402	134,926
District contributions subsequent to the measurement date	424,923	-
Total	\$ 1,305,838	\$ 183,686

\$424,923 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	Amount
2018	\$ 70,056
2019	70,056
2020	340,921
2021	209,008
2022	7,188
Total	<u>\$ 697,229</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1% real wage inflation.

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	100%	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,609,959	4,085,607	1,955,021

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$51,486 for legally required employer contributions and \$34,305 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 51 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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 pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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	\$ 40,603
Interest on net OPEB obligation	4,007
Adjustment to annual required contribution	(11,843)
Annual OPEB cost	<u>32,767</u>
Contributions made	<u>(2,201)</u>
Increase in net OPEB obligation	30,566
Net OPEB obligation beginning of year	160,286
Net OPEB obligation end of year	<u><u>\$ 190,852</u></u>

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

For the year ended June 30, 2017, the District contributed \$2,201 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	31,318	8.57%	129,905
2016	35,304	13.94%	160,286
2017	32,767	6.72%	190,852

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 \$229,270, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$229,270. The covered payroll (annual payroll of active employees covered by the plan) was \$2,428,563, and the ratio of the UAAL to covered payroll was 9.44%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$269,554 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

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

Program	Amount
Home school assistance program	\$ 93,872
LEP Weighting	1,277
Teacher salary supplement	7,156
Market factor	3,656
Successful progression for early readers	6,710
Professional development for model core curriculum	18,898
Teacher leadership grants	4,916
Professional development	8,754
Total	<u>\$ 145,239</u>

(12) Detailed Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental funds balances to net position are as follows:

	Net Investment in Capital Assets	Management Levy Purposes	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	571,853	433,853	1,461,301
Invested in capital assets, net of accumulated depreciation	9,007,786	-	-	-
Revenue bond capitalized indebtedness	(5,616,000)	-	-	-
Unspent revenue bond proceeds	-	-	-	-
Termination benefits	-	(75,117)	-	-
Accrued interest payable	-	-	(63,852)	-
Income surtax	-	-	-	40,973
Assigned fund balance	-	-	-	11,491
Net pension liability	-	-	-	(3,986,518)
Pension related deferred outflows	-	-	-	1,271,172
Pension related deferred inflows	-	-	-	(179,465)
Net OPEB liability	-	-	-	(190,852)
Net position (Exhibit A)	<u>\$ 3,391,786</u>	<u>496,736</u>	<u>370,001</u>	<u>(1,571,898)</u>

(13) New Accounting Pronouncement

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

(14) Tax Abatements

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

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Battle Creek	Urban Renewal and economic development projects	\$ 3,309
City of Ida Grove	Urban Renewal and economic development projects	\$ 14,777

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 \$10,271.

(15) Prospective Accounting Change

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

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2017

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,013,439	140,901	5,154,340	5,043,750	5,043,750	110,590
State sources	4,552,561	2,803	4,555,364	4,612,862	4,612,862	(57,498)
Federal sources	233,679	197,986	431,665	431,000	431,000	665
Total revenues	9,799,679	341,690	10,141,369	10,087,612	10,087,612	53,757
Expenditures/expenses:						
Instruction	6,428,896	-	6,428,896	6,646,000	6,646,000	217,104
Support services	2,645,386	19,410	2,664,796	2,833,000	2,833,000	168,204
Non-instructional programs	-	340,530	340,530	350,000	350,000	9,470
Other expenditures	2,161,803	-	2,161,803	1,202,479	2,243,096	81,293
Total expenditures/expenses	11,236,085	359,940	11,596,025	11,031,479	12,072,096	476,071
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,436,406)	(18,250)	(1,454,656)	(943,867)	(1,984,484)	529,828
Other financing sources, net	7,299	-	7,299	-	-	7,299
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,429,107)	(18,250)	(1,447,357)	(943,867)	(1,984,484)	537,127
Balances beginning of year	4,461,278	84,520	4,545,798	2,888,200	2,888,200	1,657,598
Balances end of year	\$ 3,032,171	66,270	3,098,441	1,944,333	903,716	2,194,725

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,040,617.

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

	2017	2016	2015
District's proportion of the net pension liability	0.064920%	0.062358%	0.061581%
District's proportionate share of the net pension liability	\$ 4,085,607	3,080,784	2,442,261
District's covered-employee payroll	\$ 4,658,888	4,271,720	4,032,284
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	72.12%	60.57%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 424,923	416,038	381,464	360,083	269,293	339,859	280,686	285,561	279,344	261,930
Contributions in relation to the statutorily required contribution	<u>(424,923)</u>	<u>(416,038)</u>	<u>(381,464)</u>	<u>(360,083)</u>	<u>(269,293)</u>	<u>(339,859)</u>	<u>(280,686)</u>	<u>(285,561)</u>	<u>(279,344)</u>	<u>(261,930)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 4,758,374	4,658,888	4,271,720	4,032,284	3,106,032	4,211,388	4,038,647	4,294,150	4,399,118	4,329,421
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 240,618	\$ 240,618	0.0%	\$ 1,890,594	12.73%
2011	July 1, 2009	-	234,777	234,777	0.0%	2,094,555	11.21%
2012	July 1, 2009	-	208,305	208,305	0.0%	1,891,237	11.01%
2013	July 1, 2012	-	225,943	225,943	0.0%	1,940,961	11.64%
2014	July 1, 2012	-	217,311	217,311	0.0%	2,234,627	9.72%
2015	July 1, 2012	-	216,473	216,473	0.0%	2,224,224	9.73%
2016	July 1, 2015	-	241,960	241,960	0.0%	2,490,496	9.72%
2017	July 1, 2015	-	229,270	229,270	0.0%	2,428,563	9.44%

See Note 8 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION – CASH BASIS
 COMPONENT UNIT
 DECEMBER 31, 2016

		William W. Smith Endowment
ASSETS		
Cash and pooled investments	\$	674,078
LIABILITIES		
		-
NET POSITION		
Restricted for District support	\$	674,078

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES AND
CHANGES IN NET POSITION – CASH BASIS
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2016

		William W. Smith Endowment
Revenues:		
Interest and dividends	\$	15,445
Realized gain on investments		8,802
Total revenues		24,247
Expenses:		
Grants to organizations		7,922
Management		3,736
Legal fees		500
Investment management fees		4
Tax on investment income		342
Total expenses		12,504
Change in net position before other financing sources		11,743
Other financing sources:		
Unrealized gain on investments		33,863
Change in net position		45,606
Net position beginning of year		628,472
Net position end of year	\$	674,078

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK - IDA GROVE COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 569,059	127,887	696,946	433,853	1,130,799
Receivables:					
Property tax:					
Delinquent	2,794	-	2,794	-	2,794
Succeeding year	160,000	-	160,000	-	160,000
Total assets	\$ 731,853	127,887	859,740	433,853	1,293,593
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	6,584	6,584	-	6,584
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	160,000	-	160,000	-	160,000
Fund balances:					
Restricted for:					
Management levy purposes	571,853	-	571,853	-	571,853
Student activities	-	121,303	121,303	-	121,303
Debt service	-	-	-	433,853	433,853
Total fund balances	571,853	121,303	693,156	433,853	1,127,009
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 731,853	127,887	859,740	433,853	1,293,593

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 180,276	-	180,276	-	180,276
Other	26,432	256,647	283,079	-	283,079
State sources	3,359	-	3,359	-	3,359
Total revenues	210,067	256,647	466,714	-	466,714
Expenditures:					
Current:					
Instruction:					
Regular	176,346	-	176,346	-	176,346
Other	-	218,634	218,634	-	218,634
Support services:					
Student	-	40,850	40,850	-	40,850
Administration	9,276	-	9,276	-	9,276
Operation and maintenance of plant	118,175	-	118,175	-	118,175
Transportation	10,383	-	10,383	-	10,383
Long-term debt:					
Principal	-	-	-	344,000	344,000
Interest and fiscal charges	-	-	-	129,109	129,109
Total expenditures	314,180	259,484	573,664	473,109	1,046,773
Deficiency of revenues under expenditures	(104,113)	(2,837)	(106,950)	(473,109)	(580,059)
Other financing sources:					
Transfer in	-	-	-	497,704	497,704
Change in fund balances	(104,113)	(2,837)	(106,950)	24,595	(82,355)
Fund balances beginning of year	675,966	124,140	800,106	409,258	1,209,364
Fund balances end of year	\$ 571,853	121,303	693,156	433,853	1,127,009

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 4,989	229,710	234,699
Receivables:			
Property tax:			
Delinquent	-	6,782	6,782
Succeeding year	-	451,539	451,539
Due from other governments	50,832	-	50,832
TOTAL ASSETS	\$ 55,821	688,031	743,852
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	5,182	5,182
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	451,539	451,539
Fund balances:			
Restricted for:			
School infrastructure	55,821	-	55,821
Physical plant and equipment	-	231,310	231,310
Total fund balances	55,821	231,310	287,131
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 55,821	688,031	743,852

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	441,766	441,766
State sources	611,734	8,155	619,889
Total revenues	611,734	449,921	1,061,655
Expenditures:			
Current:			
Instruction:			
Regular		1,331	1,331
Support services:			
Instructional staff	-	213,766	213,766
Operation and maintenance of plant	-	56,397	56,397
Transportation	-	144,785	144,785
Capital outlay	1,093,214	325,926	1,419,140
Total expenditures	1,093,214	742,205	1,835,419
Deficiency of revenues under expenditures	(481,480)	(292,284)	(773,764)
Other financing sources(uses):			
Transfer out	(497,704)	-	(497,704)
Proceeds from sale of equipment	-	6,084	6,084
Total other financing sources(uses)	(497,704)	6,084	(491,620)
Change in fund balances	(979,184)	(286,200)	(1,265,384)
Fund balances beginning of year	1,035,005	517,510	1,552,515
Fund balances end of year	\$ 55,821	231,310	287,131

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Cross Country	\$ 2,299	275	1,844	809	1,539
Falcon Boy's Basketball	1,082	1,013	709	401	1,787
Falcon Football	2,528	3,060	4,072	1,212	2,728
HS Falcon Baseball	2,292	1,871	1,475	-	2,688
Falcon High School Bowling	3,248	-	-	251	3,499
Falcon Boys Golf	1,257	-	-	-	1,257
Falcon Wrestling	791	5,444	8,697	2,908	446
Falcon Girls Basketball	5,262	833	90	351	6,356
Falcon Volleyball	5,836	1,478	1,614	554	6,254
Falcon Girls Softball	3,286	1,275	1,483	150	3,228
Falcon Girls Golf	501	-	-	-	501
Concessions	8,517	36,668	21,521	(11,183)	12,481
Interest	-	487	-	(487)	-
Class of 2015	-	-	-	-	-
Class of 2016	1,787	-	100	(1,687)	-
Class of 2017	4,424	1,550	2,573	306	3,707
Class of 2018	1,233	8,869	6,910	879	4,071
Class of 2019	196	1,968	1,179	957	1,942
Class of 2020	-	685	494	-	191
OA/BCIG Coed Athletics	1,497	112,943	127,660	13,220	-
HS Vocal	2,430	190	280	-	2,340
HS Band	1,460	1,420	2,079	-	801
Senior Memories	714	987	892	-	809
Quiz Bowl Fund	287	210	375	-	122
GSA Club	-	263	-	-	263
STEP Program	267	-	81	-	186
HS Art Club	4,193	6,574	7,217	-	3,550
FCCLA	645	-	-	-	645
Spanish Club	37	-	-	-	37
Green house	12,796	2,365	-	(12,348)	2,813
HS Student Council	5,251	-	2,583	456	3,124
FFA	25,263	44,444	40,850	-	28,857
OA/BCIG Cheerleaders	6,203	2,887	7,923	1,317	2,484
OA/BCIG Drama	4,999	4,561	3,978	503	6,085
OA/BCIG Dance Team	9,698	14,205	12,522	1,230	12,611
OA/BCIG NHS	3,861	122	283	201	3,901
Total	\$ 124,140	256,647	259,484	-	121,303

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 3,274,109	3,151,036	3,121,155	3,075,449	3,596,078	3,613,771	3,307,160	3,369,800	2,898,063	2,672,242
Tuition	565,147	542,791	409,490	427,488	463,171	512,383	350,538	371,539	393,603	383,799
Other	1,174,183	1,154,585	977,876	916,700	988,576	1,071,207	1,103,449	1,073,640	480,107	409,600
State sources	4,552,561	4,507,607	4,416,599	4,113,030	3,555,953	3,594,327	3,405,209	2,920,947	3,418,749	3,350,240
Federal sources	233,679	225,302	205,474	191,540	208,748	271,311	363,313	574,536	231,666	170,078
Total	\$ 9,799,679	9,581,321	9,130,594	8,724,207	8,812,526	9,062,999	8,529,669	8,310,462	7,422,188	6,985,959
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,070,159	3,654,665	3,507,263	3,798,574	3,434,520	3,569,167	3,529,824	3,278,275	2,885,135	2,834,221
Special	999,893	1,074,958	1,097,301	948,923	1,034,036	1,059,916	950,589	849,285	833,349	830,788
Other	1,358,844	1,373,881	1,178,863	987,759	1,048,074	1,023,746	869,611	945,366	886,965	723,737
Support services:										
Student	193,880	126,508	202,276	195,487	190,872	179,239	168,576	160,926	113,074	113,476
Instructional staff	454,723	353,759	333,145	475,152	333,121	323,429	453,164	313,285	359,992	330,225
Administration	781,972	750,697	649,986	660,956	548,406	526,952	526,898	554,948	603,513	637,155
Operation and maintenance of plant	692,860	702,397	563,118	658,215	642,696	630,292	530,868	605,919	620,908	690,685
Transportation	521,951	362,410	435,097	356,566	393,294	392,454	316,567	381,100	319,064	361,473
Capital outlay	1,419,140	3,480,243	711,108	910,645	2,310,001	555,971	363,594	797,419	425,984	266,409
Long-term debt:										
Principal	344,000	95,000	100,000	40,000	200,000	200,000	200,000	-	-	-
Interest and fiscal charges	129,109	87,090	44,990	45,458	25,398	9,500	15,250	4,500	-	-
Other expenditures:										
AEA flow-through	269,554	274,887	266,667	254,935	242,190	237,537	266,330	264,023	244,531	239,274
Total	\$ 11,236,085	12,336,495	9,089,814	9,332,670	10,402,608	8,708,203	8,191,271	8,155,046	7,292,515	7,027,443

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Battle Creek-Ida Grove Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a material weakness and significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-17 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-17 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Battle Creek-Ida Grove Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2018
Newton, Iowa

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties -

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

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

- 1) Cash - initiating cash disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, receipting, depositing, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Journal entry - writing, posting and approving.

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

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

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

Response - The district will investigate available alternatives. The district is constantly evaluating duties of central office staff and trying to cross train on many of those duties.

Conclusion - Response accepted.

II-B-17 Credit Cards - Purchase Orders -

Criteria - An effective internal control system provides for internal controls related to ensuring proper accounting for disbursements. Internal controls over safeguarding assets constitutes a process designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Condition - We noted during our audit the District has a purchase order requisition process in place for making purchases with District credit/store cards. However, we noted multiple instances of transactions with purchase orders dated and approved after the ordering of goods/services had already taken place on purchases made with District's credit/store cards.

Cause - The District appears to have policies and procedures to ensure all credit card purchases are properly approved, however these policies do not always appear to be followed or enforced.

Effect - Without enforcement of District policies and procedures already in place, purchases could be made with District credit/store cards which do not serve a public purpose, are an unallowable expense, or do not fit within the budget of the District. These purchases could result in improper transactions and the opportunity for misappropriation.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

The District's current credit card purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of items takes place. In the event of purchases being approved after items are already received or paid for the District should require appropriate supporting documentation to be maintained to justify why the purchase is acceptable and appropriate. This approval should be done by the appropriate administrator and documentation kept with the invoice in question.

Response - The current policy requires administrator's verbal approval before making a credit card purchase. The current policy also states documentation of detailed purchase be attached to requisition. The district will review how the policy is communicated to staff and review procedures when credit cards are distributed upon request.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part II: Other Findings Related to Required Statutory Reporting:

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

II-B-17 Questionable Disbursements - Disbursements noted which may not meet public purpose as defined by Attorney General's opinion dated April 25, 1979 are noted as follows:

Gift Certificates: We noted the District is giving gift certificates to staff to redeem with the booster club for BCIG clothing. Giving gift certificates does not allow the board to "audit and allow" final purchases in accordance with Iowa Code Section 279.29 and does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift certificates are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills. The gift certificates do not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from giving gift certificates to staff for any purpose to be in accordance with the Attorney General's opinion dated April 25, 1979.

Response - This was discussed at the field audit in September 2017 but unfortunately, certificates to new FY 17-18 staff had been distributed prior to auditors citing this. The district has met with administration and will cease the practice in the future.

Conclusion - Response accepted.

II-C-17 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

II-E-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

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

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

II-H-17 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-17 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-17 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-17 Categorical Funding - Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds were noted. During our audit, we noted the District coded \$230 of professional development costs for an administrator to the Professional Development state categorical funding. Professional Development expenses for District Administrators does not appear to be an allowable expense for this state categorical funding per Chapter 281-98.26 of the Iowa Administrative Code.

	Restricted Balance on District's CAR	Amount Of Expense Adjustment	Audited Ending Restricted Balance
Professional Development	\$ 8,524	\$ 230	\$ 8,754

Recommendation - The District should review expenses coded to its categorical funding programs for professional development to ensure they meet “appropriate uses” as defined in Chapter 98-24 of the Iowa Administrative Code - Financial Management of Categorical Funding. The District should also contact the Iowa Department of Education regarding any additional action which may be required.

Response - The business office has reviewed the appropriate uses for Professional Development funds at an administration meeting and reviewed the proper professional development expense codes to be used when submitting paperwork.

Conclusion - Response accepted.

II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2017, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2017 audit:

Beginning Balance		\$ 1,035,005
Revenues:		
Sales tax revenues		611,734
		<u>1,646,739</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 1,093,214	
Transfer to other funds:		
Debt service fund	497,704	1,590,918
		<u>1,590,918</u>
Ending Balance		<u><u>\$ 55,821</u></u>

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

II-M-17 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour and overtime amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The district will notify Athletic Director and head coaches of the requirement and make a better effort in distributing time sheets and monitoring to ensure the time sheets are returned in a timely manner.

Conclusion - Response accepted.