

BEDFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Bedford Community School District

Officials

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

Mike Irvin	President	2017
Jack Spencer	Vice President	2019
Rodger Ritchie	Board Member	2019
Joe Murphy	Board Member	2019
James Johnson	Board Member	2017

School Officials

Joe Drake	Superintendent	2017
Sharon Hart	District Secretary/Treasurer and Business Manager	2017
Ahlers & Cooney P.C.	Attorney	2017

**BEDFORD COMMUNITY
SCHOOL DISTRICT**



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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Bedford 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 Bedford Community School District, Bedford, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 15 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 Bedford 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 22, 2018 our consideration of Bedford 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 Bedford Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2018
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,154,522 in fiscal year 2016 to \$5,668,254 in fiscal year 2017, while General Fund expenditures increased from \$5,118,222 in fiscal year 2016 to \$5,431,742 in fiscal year 2017. This resulted in an increase in the District's General Fund balance from \$606,068 at June 30, 2016 to \$842,580 at June 30, 2017, a 39.02% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state source revenues received in fiscal year 2017 while the increase in expenditures was due mainly to increased spending in the instruction functional area compared to the prior year.
- The District's total net position increased from \$5,296,781 at June 30, 2016 to \$5,695,392 at June 30, 2017. Total revenues increased from \$7,321,037 in fiscal year 2016 to \$7,353,641 in fiscal year 2017, a 0.45% increase, while total expenses increased from \$6,186,941 in fiscal year 2016 to \$6,955,030 in fiscal year 2017, a 12.41% increase compared to the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Bedford 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 Bedford 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 Bedford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

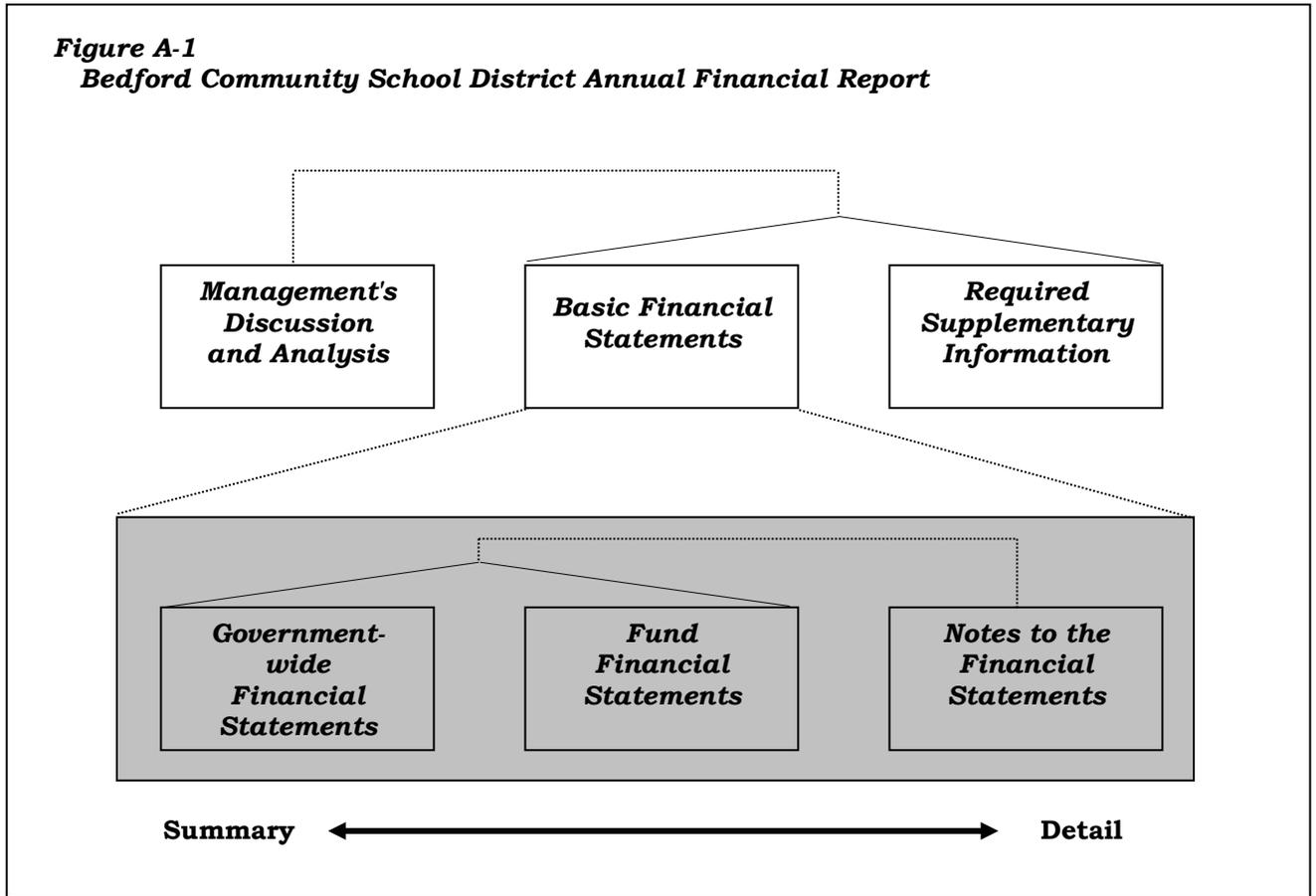


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide	Fund Statements		
	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	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 two categories:

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

Fund Financial Statements

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

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

The District has 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 Capital Projects Fund and the Debt Service 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's Enterprise Fund is the School Nutrition 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. This fund includes 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,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 5,646,942	6,192,067	43,639	54,380	5,690,581	6,246,447	-8.90%
Capital assets	9,282,658	8,742,109	68,038	6,403	9,350,696	8,748,512	6.88%
Total assets	<u>14,929,600</u>	<u>14,934,176</u>	<u>111,677</u>	<u>60,783</u>	<u>15,041,277</u>	<u>14,994,959</u>	<u>0.31%</u>
Deferred outflows of resources	<u>760,545</u>	<u>381,533</u>	<u>21,345</u>	<u>10,393</u>	<u>781,890</u>	<u>391,926</u>	<u>99.50%</u>
Long-term liabilities	6,487,215	6,298,439	74,953	61,805	6,562,168	6,360,244	3.17%
Other liabilities	693,113	909,995	23,098	22,262	716,211	932,257	-23.17%
Total liabilities	<u>7,180,328</u>	<u>7,208,434</u>	<u>98,051</u>	<u>84,067</u>	<u>7,278,379</u>	<u>7,292,501</u>	<u>-0.19%</u>
Deferred inflows of resources	<u>2,842,704</u>	<u>2,788,300</u>	<u>6,692</u>	<u>9,303</u>	<u>2,849,396</u>	<u>2,797,603</u>	<u>1.85%</u>
Net position:							
Net investment in capital assets	5,724,508	5,688,263	68,038	6,403	5,792,546	5,694,666	1.72%
Restricted	1,481,853	1,382,856	-	-	1,481,853	1,382,856	7.16%
Unrestricted	(1,539,248)	(1,752,144)	(39,759)	(28,597)	(1,579,007)	(1,780,741)	11.33%
Total net position	<u>\$ 5,667,113</u>	<u>5,318,975</u>	<u>28,279</u>	<u>(22,194)</u>	<u>5,695,392</u>	<u>5,296,781</u>	<u>7.53%</u>

The District's total net position increased 7.53%, or \$398,611, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$98,997, or 7.16% from the prior year. The increase in restricted net position due in part to the increase in the amount restricted for management levy purposes.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$201,734 or 11.33%. The increase in unrestricted net position was primarily a result of the increase in the District's unassigned General Fund balance when compared with the prior year.

The District's governmental activities and business type activities have deficit unrestricted net position at June 30, 2017 due to GASB Statement No. 68 pension reporting requirements.

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	\$ 564,390	462,864	112,975	102,410	677,365	565,274	19.83%
Operating grants, contributions and restricted interest	579,589	479,010	190,994	174,827	770,583	653,837	17.86%
Capital grants, contributions and restricted interest	89,150	597,944	-	-	89,150	597,944	-85.09%
General revenues:							
Property tax	2,415,358	2,278,888	-	-	2,415,358	2,278,888	5.99%
Income surtax	178,176	179,753	-	-	178,176	179,753	-0.88%
Statewide sales, services and use tax	459,066	448,171	-	-	459,066	448,171	2.43%
Unrestricted state grants	2,614,859	2,380,104	-	-	2,614,859	2,380,104	9.86%
Unrestricted investment earnings	7,477	8,709	-	-	7,477	8,709	-14.15%
Other	140,031	207,130	1,576	1,227	141,607	208,357	-32.04%
Total revenues	<u>7,048,096</u>	<u>7,042,573</u>	<u>305,545</u>	<u>278,464</u>	<u>7,353,641</u>	<u>7,321,037</u>	<u>0.45%</u>
Program expenses:							
Instruction	3,847,202	3,457,025	-	-	3,847,202	3,457,025	11.29%
Support services	1,986,762	1,949,813	3,062	5,288	1,989,824	1,955,101	1.78%
Non-instructional programs	-	-	267,702	258,872	267,702	258,872	3.41%
Other expenses	850,302	515,943	-	-	850,302	515,943	64.81%
Total expenses	<u>6,684,266</u>	<u>5,922,781</u>	<u>270,764</u>	<u>264,160</u>	<u>6,955,030</u>	<u>6,186,941</u>	<u>12.41%</u>
Excess of revenues over expenses	363,830	1,119,792	34,781	14,304	398,611	1,134,096	64.85%
Transfers	(15,692)	-	15,692	-	-	-	100.00%
Change in net position	348,138	1,119,792	50,473	14,304	398,611	1,134,096	64.85%
Net position beginning of year	<u>5,318,975</u>	<u>4,199,183</u>	<u>(22,194)</u>	<u>(36,498)</u>	<u>5,296,781</u>	<u>4,162,685</u>	<u>27.24%</u>
Net position end of year	<u>\$ 5,667,113</u>	<u>5,318,975</u>	<u>28,279</u>	<u>(22,194)</u>	<u>5,695,392</u>	<u>5,296,781</u>	<u>7.53%</u>

In fiscal year 2017, property tax and unrestricted state grants accounted for 71.37% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.48% of the business type activities revenues.

The District's total revenues were approximately \$7.35 million, of which approximately \$7.05 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.45% increase in revenues and a 12.41% increase in expenses. The increase in revenues is mainly due to the increase in unrestricted state grants received by the District. The increase in expenses was primarily due to increases in instruction and other expenses incurred during fiscal year 2017 compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$7,048,096 and expenses were \$6,684,266 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	\$ 3,847,202	3,457,025	11.29%	3,118,448	2,812,278	10.89%
Support services	1,986,762	1,949,813	1.90%	1,679,016	1,253,153	33.98%
Other expenses	850,302	515,943	64.81%	653,673	317,532	105.86%
Totals	<u>\$ 6,684,266</u>	<u>5,922,781</u>	<u>12.86%</u>	<u>5,451,137</u>	<u>4,382,963</u>	<u>24.37%</u>

For year ended June 30, 2017:

- The cost financed by users of the District's programs was \$564,390.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$668,739.
- The net cost of governmental activities was financed with \$2,415,358 in property tax, \$178,176 in income surtax, \$459,066 in statewide sales, services and use tax, \$2,614,859 in unrestricted state grants, \$7,477 in interest income, and \$140,031 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$305,545 and expenses were \$270,764 for the year ended June 30, 2017, representing an increase of 9.73% and 2.50% respectively from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,213,529, below last year's ending combined fund balances of \$2,711,478. The primary reason for the decrease in combined fund balances was the decrease in fund balance of the Capital Projects Fund due to continued expenditures incurred on outstanding construction and building improvement projects.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The General Fund balance increased from \$606,068 at June 30, 2016 to \$842,580 at June 30, 2017. Revenues and expenditures both increased during fiscal year 2017. Total revenues continued to outpace total expenditures ensuring an increase in ending fund balance.

- The Capital Projects Fund balance decreased from \$1,767,771 at June 30, 2016, to \$975,950 at June 30, 2017. This decrease in fund balance was primarily a result of capital outlay expenditures incurred due to ongoing work on District construction projects including HVAC, Safe Room, and Track renovation projects which were completed during the year.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased to \$28,279 at June 30, 2017 from deficit \$22,194 at June 30, 2016. Increases in federal reimbursements and charges for service led to a 9.73% increase in revenues from the prior year compared to only a 2.50% increase in expenses. The School Nutrition Fund also benefited from a capital contribution of from the Capital Projects: Physical Plant and Equipment Fund.

BUDGETARY HIGHLIGHTS

The District's revenues were \$188,388 more than budgeted revenues, a variance of 2.63%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. 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 approximately \$9.35 million, 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 6.88% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$595,851.

The original cost of the District's capital assets was \$14,991,277. Governmental activities accounted for \$14,824,890 with the remainder of \$166,387 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,315,356 at June 30, 2017 compared to \$3,944,001 at June 30, 2016. The increase in buildings is due to the reclassification by the District of the HVAC renovation and safe room projects which were completed during the year.

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	\$ 34,900	34,900	-	-	34,900	34,900	0.00%
Construction in progress	-	4,224,060	-	-	-	4,224,060	-100.00%
Buildings	8,315,356	3,944,001	-	-	8,315,356	3,944,001	110.84%
Land improvements	469,260	241,292	-	-	469,260	241,292	94.48%
Machinery and equipment	463,142	297,856	68,038	6,403	531,180	304,259	74.58%
Total	\$ 9,282,658	8,742,109	68,038	6,403	9,350,696	8,748,512	6.88%

Long-Term Debt

At June 30, 2017, the District had \$3,565,000 of total long-term debt outstanding. This represents a decrease of 8.00% from last year. (See Figure A-7) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$1,895,000 at June 30, 2017, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding capital loan notes of \$1,670,000 at June 30, 2017, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total		Total
	District		Change
	June 30,		June 30,
	2017	2016	2016-17
Revenue bonds	\$ 1,895,000	2,010,000	-5.72%
Capital loan notes	1,670,000	1,865,000	-10.46%
Total	<u>\$ 3,565,000</u>	<u>3,875,000</u>	<u>-8.00%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District had a significant decrease in enrollment this year, which will lead to budget cuts in the future. Administration will continue to closely watch enrollment numbers in the future to determine what actions to take with the District's budget. Administration works diligently to make sure the District does not overspend its authority.
- The District has invested many dollars in buildings and grounds improvements thanks to the SAVE funds. The District continues to prepare for its future by keeping the facilities upgraded, safe and palatable to the patrons and students of the District.

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 Sharon Hart, District Secretary/Treasurer and Business Manager, Bedford Community School District, 906 Pennsylvania Street, Bedford, Iowa, 50833.

**BEDFORD COMMUNITY
SCHOOL DISTRICT**



BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,511,616	35,441	2,547,057
Receivables:			
Property tax:			
Delinquent	35,922	-	35,922
Succeeding year	2,593,456	-	2,593,456
Income surtax	178,272	-	178,272
Accounts	169,633	18	169,651
Due from other governments	158,043	-	158,043
Inventories	-	8,180	8,180
Capital assets not being depreciated:			
Land	34,900	-	34,900
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	9,247,758	68,038	9,315,796
Total assets	14,929,600	111,677	15,041,277
Deferred Outflows of Resources			
Pension related deferred outflows	760,545	21,345	781,890
Liabilities			
Accounts payable	116,585	627	117,212
Salaries and benefits payable	539,780	17,688	557,468
Laptop deposits payable	5,320	-	5,320
Accrued interest payable	31,428	-	31,428
Unearned revenue	-	4,783	4,783
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	125,000	-	125,000
Capital loan notes	195,000	-	195,000
Portion due after one year:			
Revenue bonds	1,770,000	-	1,770,000
Capital loan notes	1,475,000	-	1,475,000
Net pension liability - IPERS	2,780,075	73,717	2,853,792
Net pension liability - supplemental pension	72,767	-	72,767
Net OPEB liability	69,373	1,236	70,609
Total liabilities	7,180,328	98,051	7,278,379
Deferred Inflows of Resources			
Unavailable property tax revenue	2,593,456	-	2,593,456
Pension related deferred inflows	249,248	6,692	255,940
Total deferred inflows of resources	2,842,704	6,692	2,849,396
Net Position			
Net investment in capital assets	5,724,508	68,038	5,792,546
Restricted for:			
Categorical funding	133,222	-	133,222
Debt service	298,788	-	298,788
Management levy purposes	176,624	-	176,624
Student activities	83,197	-	83,197
School infrastructure	673,977	-	673,977
Physical plant and equipment	116,045	-	116,045
Unrestricted	(1,539,248)	(39,759)	(1,579,007)
Total net position	\$ 5,667,113	28,279	5,695,392

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,197,691	103,614	35,822	-	(2,058,255)	-
Special	585,827	58,040	42,742	-	(485,045)	-
Other	1,063,684	220,933	267,603	-	(575,148)	-
	<u>3,847,202</u>	<u>382,587</u>	<u>346,167</u>	<u>-</u>	<u>(3,118,448)</u>	<u>-</u>
Support services:						
Student	85,579	-	29,802	-	(55,777)	-
Instructional staff	172,252	45,109	2,947	-	(124,196)	-
Administration	841,353	129,319	-	-	(712,034)	-
Operation and maintenance of plant	670,381	-	2,800	89,150	(578,431)	-
Transportation	217,197	7,375	1,244	-	(208,578)	-
	<u>1,986,762</u>	<u>181,803</u>	<u>36,793</u>	<u>89,150</u>	<u>(1,679,016)</u>	<u>-</u>
Long-term debt interest	91,376	-	-	-	(91,376)	-
Other expenditures:						
AEA flowthrough	196,629	-	196,629	-	-	-
Depreciation(unallocated)*	562,297	-	-	-	(562,297)	-
	<u>758,926</u>	<u>-</u>	<u>196,629</u>	<u>-</u>	<u>(562,297)</u>	<u>-</u>
Total governmental activities	<u>6,684,266</u>	<u>564,390</u>	<u>579,589</u>	<u>89,150</u>	<u>(5,451,137)</u>	<u>-</u>
Business type activities:						
Support services:						
Administration	1,750	-	-	-	(1,750)	(1,750)
Operation and maintenance of plant	1,312	-	-	-	(1,312)	(1,312)
	<u>3,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,062)</u>	<u>(3,062)</u>
Non-instructional programs:						
Food service operations	267,702	112,975	190,994	-	-	36,267
Total business type activities	<u>270,764</u>	<u>112,975</u>	<u>190,994</u>	<u>-</u>	<u>-</u>	<u>33,205</u>
Total	<u>\$ 6,955,030</u>	<u>677,365</u>	<u>770,583</u>	<u>89,150</u>	<u>(5,451,137)</u>	<u>33,205</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 2,105,906	-	2,105,906
Capital outlay				309,452	-	309,452
Income surtax				178,176	-	178,176
Statewide sales, services and use tax				459,066	-	459,066
Unrestricted state grants				2,614,859	-	2,614,859
Unrestricted investment earnings				7,477	-	7,477
Other				140,031	1,576	141,607
Transfers				(15,692)	15,692	-
Total general revenues and transfers				<u>5,799,275</u>	<u>17,268</u>	<u>5,816,543</u>
Changes in net position				348,138	50,473	398,611
Net position beginning of year				5,318,975	(22,194)	5,296,781
Net position end of year				<u>\$ 5,667,113</u>	<u>28,279</u>	<u>5,695,392</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,309,729	810,216	391,671	2,511,616
Receivables:				
Property tax:				
Delinquent	27,605	4,602	3,715	35,922
Succeeding year	2,024,466	318,990	250,000	2,593,456
Income surtax	178,272	-	-	178,272
Accounts	27,080	141,761	792	169,633
Due from other governments	118,937	38,206	900	158,043
Total assets	\$ 3,686,089	1,313,775	647,078	5,646,942
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 95,671	18,835	2,079	116,585
Salaries and benefits payable	539,780	-	-	539,780
Laptop deposits payable	5,320	-	-	5,320
Total liabilities	640,771	18,835	2,079	661,685
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,024,466	318,990	250,000	2,593,456
Income surtax	178,272	-	-	178,272
Total deferred inflows of resources	2,202,738	318,990	250,000	2,771,728
Fund balances:				
Restricted for:				
Categorical funding	133,222	-	-	133,222
Debt service	-	179,078	151,138	330,216
Management levy purposes	-	-	176,624	176,624
Student activities	-	-	83,197	83,197
School infrastructure	-	673,977	-	673,977
Physical plant and equipment	-	122,895	-	122,895
Unassigned:				
General	709,358	-	-	709,358
Student activities	-	-	(15,960)	(15,960)
Total fund balances	842,580	975,950	394,999	2,213,529
Total liabilities, deferred inflows of resources and fund balances	\$ 3,686,089	1,313,775	647,078	5,646,942

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)		\$ 2,213,529
 <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.		9,282,658
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.		178,272
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(31,428)
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	\$ 760,545	
Deferred inflows of resources	<u>(249,248)</u>	511,297
Long-term liabilities, including bonds payable, capital loan notes payable, net pension liabilities and other postemployment benefits are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(6,487,215)</u>
Net position of governmental activites(page 18)		<u><u>\$ 5,667,113</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD 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	\$ 2,042,319	309,452	249,813	2,601,584
Tuition	147,145	-	-	147,145
Other	278,316	156,798	235,672	670,786
State sources	2,918,703	464,744	1,245	3,384,692
Federal sources	220,924	31,015	-	251,939
Total revenues	<u>5,607,407</u>	<u>962,009</u>	<u>486,730</u>	<u>7,056,146</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,062,870	-	33,673	2,096,543
Special	577,874	-	-	577,874
Other	841,340	-	210,237	1,051,577
	<u>3,482,084</u>	<u>-</u>	<u>243,910</u>	<u>3,725,994</u>
Support services:				
Student	86,174	-	-	86,174
Instructional staff	201,937	-	-	201,937
Administration	788,433	11,225	-	799,658
Operation and maintenance of plant	492,534	-	177,024	669,558
Transportation	183,951	99,925	16,628	300,504
	<u>1,753,029</u>	<u>111,150</u>	<u>193,652</u>	<u>2,057,831</u>
Capital outlay	-	1,374,402	-	1,374,402
Long-term debt:				
Principal	-	-	310,000	310,000
Interest and fiscal charges	-	-	92,851	92,851
	<u>-</u>	<u>-</u>	<u>402,851</u>	<u>402,851</u>
Other expenditures:				
AEA flowthrough	196,629	-	-	196,629
Total expenditures	<u>5,431,742</u>	<u>1,485,552</u>	<u>840,413</u>	<u>7,757,707</u>
Excess(Deficiency) of revenues over(under) expenditures	175,665	(523,543)	(353,683)	(701,561)
Other financing sources(uses):				
Transfer in	-	-	411,043	411,043
Transfer out	-	(411,043)	-	(411,043)
Insurance proceeds	30,406	142,360	-	172,766
Sale of equipment	30,441	405	-	30,846
Total other financing sources(uses)	<u>60,847</u>	<u>(268,278)</u>	<u>411,043</u>	<u>203,612</u>
Change in fund balances	236,512	(791,821)	57,360	(497,949)
Fund balances beginning of year	<u>606,068</u>	<u>1,767,771</u>	<u>337,639</u>	<u>2,711,478</u>
Fund balances end of year	<u>\$ 842,580</u>	<u>975,950</u>	<u>394,999</u>	<u>2,213,529</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD 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) \$ (497,949)

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

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

Capital outlay	\$ 1,138,044	
Depreciation expense	(589,286)	
Loss on disposal of assets	<u>(8,209)</u>	540,549

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (8,050)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 310,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,475

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. 298,583

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

Pension expense - IPERS	(262,441)	
Pension expense - supplemental pension	(17,137)	
Other postemployment benefits	<u>(16,892)</u>	<u>(296,470)</u>

Change in net position of governmental activities(page 19) \$ 348,138

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

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 35,441
Accounts receivable	18
Inventories	8,180
Total current assets	43,639
Noncurrent assets:	
Capital assets, net of accumulated depreciation	68,038
Total assets	111,677
Deferred Outflows of Resources	
Pension related deferred outflows	21,345
Liabilities	
Current liabilities:	
Accounts payable	627
Salaries and benefits payable	17,688
Unearned revenue	4,783
Total current liabilities	23,098
Noncurrent liabilities:	
Net pension liability	73,717
Net OPEB liability	1,236
Total noncurrent liabilities	74,953
Total liabilities	98,051
Deferred Inflows of Resources	
Pension related deferred inflows	6,692
Net Position	
Net investment in capital assets	68,038
Unrestricted	(39,759)
Total net position	\$ 28,279

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 112,975
Miscellaneous	1,576
Total operating revenues	114,551
Operating expenses:	
Support services:	
Administration:	
Services	1,750
Operation and maintenance of plant:	
Services	1,312
	3,062
Non-instructional programs:	
Food service operations:	
Salaries	91,635
Benefits	20,944
Supplies	144,231
Other	4,327
Depreciation	6,565
	267,702
Total operating expenses	270,764
Operating loss	(156,213)
Non-operating revenues:	
State sources	3,467
Federal sources	187,527
Total non-operating revenues	190,994
Change in net position before capital contributions	34,781
Capital contributions	15,692
Change in net position	50,473
Net position beginning of year	(22,194)
Net position end of year	\$ 28,279

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 113,321
Cash received from miscellaneous operating activities	1,576
Cash payments to employees for services	(113,142)
Cash payments to suppliers for goods or services	(132,423)
Net cash used in operating activities	(130,668)
Cash flows from non-capital financing activities:	
Repayment from the General Fund	4
State grants received	3,467
Federal grants received	168,170
Net cash provided by non-capital financing activities	171,641
Cash flows from capital financing activities:	
Purchase of capital assets	(52,508)
Net decrease in cash and pooled investments	(11,535)
Cash and pooled investments beginning of year	46,976
Cash and pooled investments end of year	\$ 35,441
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (156,213)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,357
Depreciation	6,565
Increase in inventories	(787)
Increase in accounts receivable	(11)
Increase in accounts payable	627
Decrease in salaries and benefits payable	(148)
Increase in unearned revenue	357
Increase in other postemployment benefits	301
Increase in net pension liability	12,847
Increase in deferred outflows of resources	(10,952)
Decrease in deferred inflows of resources	(2,611)
Net cash used in operating activities	\$ (130,668)

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

During the year ended June 30, 2017, the District received \$19,357 of federal commodities.

During the year ended June 30, 2017, the School Nutrition Fund received \$15,692 of contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	<u>\$ 105,238</u>
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 105,238</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Scholarships</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 300
Interest income	<u>265</u>
Total additions	<u>565</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>6,442</u>
Change in net position	(5,877)
Net position beginning of year	<u>111,115</u>
Net position end of year	<u>\$ 105,238</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

Bedford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Bedford, Iowa, and the predominate agricultural territory in Taylor, Page and Ringgold 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, Bedford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, 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 nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 nonmajor proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is as follows:

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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

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

Laptop Deposits Payable - Deposits for the use of laptops as part of the District's educational program. The deposits are held by the District and then reduced for any fines issued for intentional damage or returned to the student when the device is returned.

Unearned Revenue - Unearned revenues are monies collected for student fees and 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 balance sheet in the Enterprise, School Nutrition Fund.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The 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 consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in the preceding 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 in banks at June 30, 2017 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2017, the District had no such investments.

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

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 175,145
Debt Service	Capital Projects: Physical Plant and Equipment Levy	235,898
Total		<u>\$ 411,043</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for sinking requirements on the District’s revenue bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District’s capital loan note indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 34,900	-	-	34,900
Construction in progress	4,224,060	727,333	4,951,393	-
Total capital assets not being depreciated	<u>4,258,960</u>	<u>727,333</u>	<u>4,951,393</u>	<u>34,900</u>
Capital assets being depreciated:				
Buildings	7,398,868	4,823,147	-	12,222,015
Land improvements	753,581	346,682	22,684	1,077,579
Machinery and equipment	1,350,321	192,275	52,200	1,490,396
Total capital assets being depreciated	<u>9,502,770</u>	<u>5,362,104</u>	<u>74,884</u>	<u>14,789,990</u>
Less accumulated depreciation for:				
Buildings	3,454,867	451,792	-	3,906,659
Land improvements	512,289	110,505	14,475	608,319
Machinery and equipment	1,052,465	26,989	52,200	1,027,254
Total accumulated depreciation	<u>5,019,621</u>	<u>589,286</u>	<u>66,675</u>	<u>5,542,232</u>
Total capital assets being depreciated, net	<u>4,483,149</u>	<u>4,772,818</u>	<u>8,209</u>	<u>9,247,758</u>
Governmental activities capital assets, net	<u>\$ 8,742,109</u>	<u>5,500,151</u>	<u>4,959,602</u>	<u>9,282,658</u>
Business type activities:				
Machinery and equipment	\$ 120,186	68,200	21,999	166,387
Less accumulated depreciation	113,783	6,565	21,999	98,349
Business type activities capital assets, net	<u>\$ 6,403</u>	<u>61,635</u>	<u>-</u>	<u>68,038</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 1,301
Support services:	
Administration	2,954
Operation and maintenance of plant	4,351
Transportation	<u>18,383</u>
	26,989
Unallocated depreciation	<u>562,297</u>
Total governmental activities depreciation expense	<u>\$ 589,286</u>
Business type activities:	
Food service operations	<u>\$ 6,565</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 2,010,000	-	115,000	1,895,000	125,000
Capital loan notes	1,865,000	-	195,000	1,670,000	195,000
Net pension liability - IPERS	2,315,328	464,747	-	2,780,075	-
Net pension liability - supplemental pension	55,630	55,442	38,305	72,767	-
Net OPEB liability	52,481	21,503	4,611	69,373	-
Total	<u>\$ 6,298,439</u>	<u>541,692</u>	<u>352,916</u>	<u>6,487,215</u>	<u>320,000</u>
Business type activities:					
Net pension liability - IPERS	\$ 60,870	12,847	-	73,717	-
Net OPEB liability	935	383	82	1,236	-
Total	<u>\$ 61,805</u>	<u>13,230</u>	<u>82</u>	<u>74,953</u>	<u>-</u>

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 of May 1, 2015			
	Interest Rates	Principal	Interest	Total
2018	2.00%	\$ 125,000	49,552	174,552
2019	2.00	130,000	47,002	177,002
2020	2.50	130,000	44,077	174,077
2021	2.50	135,000	40,765	175,765
2022	2.50	140,000	37,328	177,328
2023-2027	2.50-2.90	740,000	129,433	869,433
2028-2030	2.90-3.10	495,000	23,329	518,329
Total		<u>\$ 1,895,000</u>	<u>371,486</u>	<u>2,266,486</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,010,000 of bonds issued in May 2015. The bonds were issued for the purpose of financing an HVAC project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 38% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,266,486. For the current year, \$115,000 in principal and \$51,953 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$459,066.

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

- a) \$179,078 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- 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.

Capital Loan Notes

The District issued \$2,055,000 of capital loan notes during the year ended June 30, 2015. These notes and the interest will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the capital loan note indebtedness as of June 30, 2017, are as follows:

Year Ending June 30,	Bond Issue of May 1, 2015			
	Interest Rates	Principal	Interest	Total
2018	1.35%	\$ 195,000	36,160	231,160
2019	1.65	200,000	33,528	233,528
2020	1.85	200,000	30,228	230,228
2021	2.10	205,000	26,528	231,528
2022	2.30	210,000	22,222	232,222
2023-2025	2.50-2.75	660,000	35,597	695,597
Total		<u>\$ 1,670,000</u>	<u>184,263</u>	<u>1,854,263</u>

(6) 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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or before 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 the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2017 were \$306,553.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$2,853,792 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.045346%, which was a decrease of 0.002751% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$269,695. 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	\$ 25,222	34,059
Changes of assumptions	43,540	-
Net difference between projected and actual earnings on IPERS' investments	406,575	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	221,881
District contributions subsequent to the measurement date	306,553	-
Total	\$ 781,890	255,940

\$306,553 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	\$ (13,785)
2019	(13,785)
2020	163,182
2021	92,805
2022	(9,020)
Total	<u>\$ 219,397</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,617,049	2,853,792	1,365,580

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$40,371 for legally required District contributions and \$26,899 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 52 active and 2 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize 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	\$ 24,409
Interest on net OPEB obligation	1,335
Adjustment to annual required contribution	<u>(3,858)</u>
Annual OPEB cost	21,886
Contributions made	<u>(4,693)</u>
Increase in net OPEB obligation	17,193
Net OPEB obligation beginning of year	<u>53,416</u>
Net OPEB obligation end of year	<u><u>\$ 70,609</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 \$4,693 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 38,318	127.88%	\$ 36,661
2016	20,369	17.74	53,416
2017	21,886	21.44	70,609

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 \$185,836, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$185,836. The covered payroll (annual payroll of active employees covered by the plan) was \$2,711,409 and the ratio of the UAAL to covered payroll was 6.85%. 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 2.50% discount rate based on the District's funding policy. The projected annual medical trend is 6%.

Mortality rates are from the RP-2000 Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement probabilities were developed based upon an aging curve based upon the 2006 Society of Actuary Studies.

Projected claim costs of the medical plan vary from \$333 to \$538 per month for retirees on a single plan who are less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Supplemental Pension Plan

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 55, has completed fifteen years of service to the District, submits an application to the Superintendent, receives Board approval and retires by June 30 of the same year.

There were 74 active members in the plan as of June 30, 2016. The plan benefit consists of a onetime payment (less payroll deductions) of the difference between the employee's salary including longevity at the time of retirement less the salary amount of a Step 5 of B.A. as defined by the District's salary structure for certified staff and ten percent of employee's current year salary less supplemental pay or extended contract pay plus minimum wage rate for the balance of unused sick days if the employee has reach 105 days for classified staff.

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

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

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

Annual required contribution	\$ 60,514
Interest on net pension obligation	1,391
Adjustment to annual required contribution	<u>(6,463)</u>
Annual pension cost	55,442
Contributions made	<u>(38,305)</u>
Increase in net pension obligation	17,137
Net pension obligation beginning of year	<u>55,630</u>
Net pension obligation end of year	<u><u>\$ 72,767</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2014. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District contributed \$38,305 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 61,747	58.59%	\$ 25,568
2016	63,735	52.83	55,630
2017	55,442	69.09	72,767

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$387,714, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$387,714. The covered payroll (annual payroll of active employees covered by the plan) was \$927,622, and the ratio of the UAAL to the covered payroll was 41.80%. 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 employee retirement age.

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

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

As of the July 1, 2016 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(9) Risk Management

Bedford 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 \$196,629 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
Four-Year-Old Preschool State Aid	\$ 14,109
Teacher Salary Supplement	28,904
Successful Progression for Early Readers	29,324
Professional Development for Model Core Curriculum	21,948
Professional Development	11,323
Teacher Leadership Grants	27,614
Total	<u>\$ 133,222</u>

(12) Construction Commitments

The District has entered into a contract totaling \$205,900 for a window replacement project. As of June 30, 2017, construction costs of \$0 have been incurred against the contract. The project is slated to begin during fiscal year 2018.

(13) Deficit Student Activity Accounts

At June 30, 2017, the District had four accounts within the Student Activity Fund with deficit unassigned fund balances totaling \$15,960.

(14) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Physical Plant and Equipment	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	122,895	330,216	709,358
Capital assets, net of accumulated depreciation	9,282,658	-	-	-
Revenue bond capitalized indebtedness	(1,895,000)	-	-	-
Capital loan note capitalized indebtedness	(1,663,150)	-	-	-
Unspent capital loan note proceeds	-	(6,850)	-	-
Accrued interest payable	-	-	(31,428)	-
Unassigned student activity fund balance	-	-	-	(15,960)
Net pension liability - IPERS	-	-	-	(2,780,075)
Pension related deferred outflows of resources	-	-	-	760,545
Pension related deferred inflows of resources	-	-	-	(249,248)
Income surtax	-	-	-	178,272
Net pension liability - supplemental pension	-	-	-	(72,767)
Net OPEB liability	-	-	-	(69,373)
Net position (Exhibit A)	<u>\$ 5,724,508</u>	<u>116,045</u>	<u>298,788</u>	<u>(1,539,248)</u>

(15) 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.

(16) 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.

During fiscal year 2017, the District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77.

(17) 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.

**BEDFORD COMMUNITY
SCHOOL DISTRICT**



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,419,515	114,551	3,534,066	3,287,676	3,287,676	246,390
State sources	3,384,692	3,467	3,388,159	3,258,513	3,258,513	129,646
Federal sources	251,939	187,527	439,466	627,114	627,114	(187,648)
Total revenues	<u>7,056,146</u>	<u>305,545</u>	<u>7,361,691</u>	<u>7,173,303</u>	<u>7,173,303</u>	<u>188,388</u>
Expenditures/Expenses:						
Instruction	3,725,994	-	3,725,994	4,020,000	4,020,000	294,006
Support services	2,057,831	3,062	2,060,893	2,454,000	2,454,000	393,107
Non-instructional programs	-	267,702	267,702	280,000	280,000	12,298
Other expenditures	1,973,882	-	1,973,882	5,350,772	5,350,772	3,376,890
Total expenditures/expenses	<u>7,757,707</u>	<u>270,764</u>	<u>8,028,471</u>	<u>12,104,772</u>	<u>12,104,772</u>	<u>4,076,301</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(701,561)	34,781	(666,780)	(4,931,469)	(4,931,469)	4,264,689
Other financing sources, net	<u>203,612</u>	<u>15,692</u>	<u>219,304</u>	<u>4,120,050</u>	<u>4,120,050</u>	<u>(3,900,746)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(497,949)	50,473	(447,476)	(811,419)	(811,419)	363,943
Balances beginning of year	<u>2,711,478</u>	<u>(22,194)</u>	<u>2,689,284</u>	<u>917,667</u>	<u>917,667</u>	<u>1,771,617</u>
Balances end of year	<u>\$ 2,213,529</u>	<u>28,279</u>	<u>2,241,808</u>	<u>106,248</u>	<u>106,248</u>	<u>2,135,560</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

BEDFORD 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	0.045346%	0.048097%	0.051204%
District's proportionate share of the net pension liability	\$ 2,853,792	2,376,198	2,030,689
District's covered-employee payroll	\$ 3,252,990	3,295,045	3,350,549
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.73%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD 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	\$ 306,553	290,602	294,248	299,204	294,001	262,707	233,631	215,454	202,846	182,035
Contributions in relation to the statutorily required contribution	\$ (306,553)	(290,602)	(294,248)	(299,204)	(294,001)	(262,707)	(233,631)	(215,454)	(202,846)	(182,035)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,432,843	3,252,990	3,295,045	3,350,549	3,391,015	3,255,353	3,361,597	3,239,910	3,194,425	3,008,843
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.

BEDFORD 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.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

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	-	\$ 502,000	502,000	0.00%	\$ 2,775,457	18.09%
2011	July 1, 2009	-	502,000	502,000	0.00	2,870,309	17.49
2012	July 1, 2009	-	502,000	502,000	0.00	2,520,921	19.91
2013	July 1, 2012	-	559,000	559,000	0.00	2,826,495	19.78
2014	July 1, 2012	-	392,000	392,000	0.00	2,675,717	14.65
2015	July 1, 2012	-	392,000	392,000	0.00	2,660,906	14.73
2016	July 1, 2015	-	193,956	193,956	0.00	2,693,034	7.20
2017	July 1, 2015	-	185,836	185,836	0.00	2,711,409	6.85

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

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)
2015	July 1, 2014	-	\$ 350,680	350,680	0.00%	\$ 987,990	35.49%
2016	July 1, 2014	-	404,578	404,578	0.00	1,171,260	34.54
2017	July 1, 2016	-	387,714	387,714	0.00	927,622	41.80

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Assets					
Cash and pooled investments	\$ 67,624	172,909	240,533	151,138	391,671
Receivables:					
Property tax:					
Delinquent	-	3,715	3,715	-	3,715
Succeeding year	-	250,000	250,000	-	250,000
Accounts	792	-	792	-	792
Due from other governments	900	-	900	-	900
Total assets	\$ 69,316	426,624	495,940	151,138	647,078
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,079	-	2,079	-	2,079
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	250,000	250,000	-	250,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	151,138	151,138
Management levy purposes	-	176,624	176,624	-	176,624
Student activities	83,197	-	83,197	-	83,197
Unassigned	(15,960)	-	(15,960)	-	(15,960)
Total fund balances	67,237	176,624	243,861	151,138	394,999
Total liabilities, deferred inflows of resources and fund balances	\$ 69,316	426,624	495,940	151,138	647,078

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD 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
	Student Activity	Management Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	249,813	249,813	-	249,813
Other	216,557	18,036	234,593	1,079	235,672
State sources	-	1,245	1,245	-	1,245
Total revenues	<u>216,557</u>	<u>269,094</u>	<u>485,651</u>	<u>1,079</u>	<u>486,730</u>
Expenditures:					
Current:					
Instruction:					
Regular	-	33,673	33,673	-	33,673
Other	210,237	-	210,237	-	210,237
Support services:					
Operation and maintenance of plant	-	177,024	177,024	-	177,024
Transportation	-	16,628	16,628	-	16,628
Long-term debt:					
Principal	-	-	-	310,000	310,000
Interest and fiscal charges	-	-	-	92,851	92,851
Total expenditures	<u>210,237</u>	<u>227,325</u>	<u>437,562</u>	<u>402,851</u>	<u>840,413</u>
Excess(Deficiency)of revenues over(under) expenditures	6,320	41,769	48,089	(401,772)	(353,683)
Other financing sources:					
Transfer in	-	-	-	411,043	411,043
Change in fund balances	6,320	41,769	48,089	9,271	57,360
Fund balances beginning of year	<u>60,917</u>	<u>134,855</u>	<u>195,772</u>	<u>141,867</u>	<u>337,639</u>
Fund balances end of year	<u>\$ 67,237</u>	<u>176,624</u>	<u>243,861</u>	<u>151,138</u>	<u>394,999</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD 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	Other Capital Projects	Total
Assets				
Cash and pooled investments	\$ 707,657	98,800	3,759	810,216
Receivables:				
Property tax:				
Delinquent	-	4,602	-	4,602
Succeeding year	-	318,990	-	318,990
Accounts	122,268	19,493	-	141,761
Due from other governments	38,206	-	-	38,206
Total assets	\$ 868,131	441,885	3,759	1,313,775
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 18,835	-	-	18,835
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	318,990	-	318,990
Fund balances:				
Restricted for:				
Debt service	179,078	-	-	179,078
School infrastructure	670,218	-	3,759	673,977
Physical plant and equipment	-	122,895	-	122,895
Total fund balances	849,296	122,895	3,759	975,950
Total liabilities, deferred inflows of resources and fund balances	\$ 868,131	441,885	3,759	1,313,775

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	309,452	-	309,452
Other	156,088	704	6	156,798
State sources	459,066	1,543	4,135	464,744
Federal sources	-	-	31,015	31,015
Total revenues	<u>615,154</u>	<u>311,699</u>	<u>35,156</u>	<u>962,009</u>
Expenditures:				
Current:				
Support services:				
Administration	11,225	-	-	11,225
Transportation	-	99,925	-	99,925
Capital outlay	511,485	814,304	48,613	1,374,402
Total expenditures	<u>522,710</u>	<u>914,229</u>	<u>48,613</u>	<u>1,485,552</u>
Excess(Deficiency) of revenues over(under) expenditures	92,444	(602,530)	(13,457)	(523,543)
Other financing sources(uses):				
Transfers out	(175,145)	(235,898)	-	(411,043)
Insurance proceeds	122,867	19,493	-	142,360
Sale of equipment	-	405	-	405
Total other financing sources(uses)	<u>(52,278)</u>	<u>(216,000)</u>	<u>-</u>	<u>(268,278)</u>
Change in fund balances	40,166	(818,530)	(13,457)	(791,821)
Fund balances beginning of year	<u>809,130</u>	<u>941,425</u>	<u>17,216</u>	<u>1,767,771</u>
Fund balances end of year	<u>\$ 849,296</u>	<u>122,895</u>	<u>3,759</u>	<u>975,950</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Athletics:				
Football	\$ 8,292	13,737	16,504	5,525
Volleyball	1,699	9,415	8,233	2,881
Basketball	10,566	8,902	8,640	10,828
Wrestling	700	4,965	5,300	365
Track	(6,246)	4,419	4,684	(6,511)
Softball	(2,581)	6,687	7,284	(3,178)
Baseball	(4,447)	4,628	5,799	(5,618)
Golf	-	1,435	1,435	-
Cross Country	-	1,283	1,283	-
	7,983	55,471	59,162	4,292
HS Clubs & Organizations:				
FFA	105	20,427	17,826	2,706
FCCLA	528	-	301	227
Iron Man Club	73	3,200	3,120	153
NHS	355	123	478	-
Student Council	4,433	8,233	7,577	5,089
SADOBS	1,759	761	1,005	1,515
Instrumental Club	471	2,787	2,721	537
Vocal	124	27	67	84
Swish and Spike Club	3,005	8,406	6,945	4,466
BPA	790	17,251	18,041	-
Yearbook #2	6,984	4,600	5,261	6,323
Yearbook	2,885	911	1,060	2,736
Bulldog Club	215	1,846	1,443	618
Cheerleaders	524	8,103	8,304	323
Art	325	518	239	604
Musical	640	5,984	7,277	(653)
Music Club	4	200	-	204
Class of 2017	3,684	4,505	8,189	-
Class of 2018	814	22,077	17,002	5,889
Class of 2019	1,362	-	-	1,362
Class of 2020	1,161	277	75	1,363
Class of 2021	1,300	500	117	1,683
Class of 2022	500	500	-	1,000
Class of 2023	-	500	-	500
Swish Club	9	3,539	335	3,213
	32,050	115,275	107,383	39,942

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
MS Athletics:				
Volleyball	2,060	2,425	1,482	3,003
Basketball	2,010	2,642	1,645	3,007
Wrestling	1,426	400	-	1,826
Track	2,377	400	1,727	1,050
Softball	2,154	894	1,008	2,040
Baseball	1,678	1,302	1,566	1,414
Football	1,567	1,484	1,212	1,839
	<u>13,272</u>	<u>9,547</u>	<u>8,640</u>	<u>14,179</u>
MS Clubs & Organizations:				
Student Council	1,356	9,757	10,008	1,105
Yearbook	95	105	-	200
	<u>1,451</u>	<u>9,862</u>	<u>10,008</u>	<u>1,305</u>
Elementary Clubs & Organizations:				
PTK Club	31	-	31	-
K-8 Book Fair	-	5,707	5,707	-
Student Council	4,274	4,271	3,874	4,671
Yearbook	1,117	1,283	628	1,772
	<u>5,422</u>	<u>11,261</u>	<u>10,240</u>	<u>6,443</u>
District-wide Accounts:				
Great Race	91	-	91	-
Activity Tickets	-	3,490	3,490	-
Interest	-	828	828	-
After Prom	648	10,823	10,395	1,076
	<u>739</u>	<u>15,141</u>	<u>14,804</u>	<u>1,076</u>
Total	<u>\$ 60,917</u>	<u>216,557</u>	<u>210,237</u>	<u>67,237</u>

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

	Modified Accrual Basis									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 2,601,584	2,472,234	2,339,940	2,188,893	2,392,375	2,500,370	2,544,792	2,271,969	2,189,075	1,818,678
Tuition	147,145	97,684	53,107	71,834	63,042	78,794	335,687	221,228	216,740	363,870
Other	670,786	584,622	444,874	454,477	515,359	517,063	388,455	440,045	352,602	385,081
State sources	3,384,692	3,196,035	3,128,394	3,224,191	3,017,577	3,097,315	2,766,156	2,614,341	3,044,096	2,785,092
Federal sources	251,939	705,591	237,736	273,246	252,967	218,936	490,929	616,230	251,236	208,021
Total	\$ 7,056,146	7,056,166	6,204,051	6,212,641	6,241,320	6,412,478	6,326,019	6,163,813	6,053,749	5,560,742
Expenditures:										
Instruction:										
Regular	\$ 2,096,543	1,916,100	1,927,777	1,950,076	1,861,450	1,977,408	1,742,373	1,820,818	1,814,620	1,815,059
Special	577,874	532,844	558,419	690,445	820,020	781,125	801,094	850,496	835,506	709,680
Other	1,051,577	1,028,578	1,046,958	985,737	1,010,276	931,489	1,036,121	918,619	821,648	780,242
Support services:										
Student	86,174	136,839	131,986	135,388	134,647	140,882	136,583	163,925	142,692	126,673
Instructional staff	201,937	161,392	168,932	310,248	291,642	532,860	256,017	587,662	292,182	228,841
Administration	799,658	790,473	720,537	660,007	650,981	612,016	586,105	528,081	646,844	609,434
Operation and maintenance of plant	669,558	629,845	573,580	575,869	584,514	581,228	496,039	593,996	492,826	461,171
Transportation	300,504	226,740	270,314	268,943	287,599	270,994	250,859	260,347	225,908	210,096
Capital outlay	1,374,402	3,015,036	1,450,576	187,694	272,271	200,986	385,248	481,146	350,191	243,782
Long-term debt:										
Principal	310,000	190,000	-	420,000	65,000	365,575	355,574	295,574	260,000	195,000
Interest and other charges	92,851	76,127	-	5,979	17,449	35,363	32,993	24,598	27,305	32,285
Other expenditures:										
AEA flow-through	196,629	198,411	198,272	199,714	194,839	195,884	221,707	219,708	198,108	166,539
Total	\$ 7,757,707	8,902,385	7,047,351	6,390,100	6,190,688	6,625,810	6,300,713	6,744,970	6,107,830	5,578,802

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
Telephone (641) 792-1910

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

To the Board of Education of Bedford Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Bedford 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 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bedford 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 Bedford Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bedford Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford 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.

Bedford Community School District's Responses to Findings

Bedford Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bedford Community School District's responses 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 Bedford 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 22, 2018
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTRAL DEFICIENCY:

I-A-17 Segregation of Duties

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

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

- 1) Cash - handling and recording cash, posting and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Payroll - recordkeeping, preparation, posting, and distribution.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) School lunch program - journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

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

Response - The District reviews internal control procedures annually. Although posting and reconciling may be done by the same person, cash receipts are counted and checked by a minimum of two, usually three people before being deposited. Deposits are taken to the bank by a different person than the person writing the receipts. The budget limits how many qualified staff members we can retain on staff in the business office, so the District invested in an online accounting system which provides staff and administration transparency to view all revenue and expense transactions in the system. Staff are asked

to continually review entries made by the business office and are to report discrepancies immediately. Payroll is approved and reviewed by two different people before it is posted, and employees have access to view their personal payroll information via the employee portal. Administration also has accessibility to the payroll reports for transparency purposes to insure accuracy of the payroll through this system. Leave requests and time sheets are electronic and go through an employee/supervisor/administrator/business office approval process to verify accuracy of all leave and time sheets. The District does what it can with the limited resources available to provide checks and balances for internal control.

Conclusion - Response accepted.

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 budgeted amounts.
- II-B-17 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-17 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-17 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lorna Bucher, Teacher Owns Bedford County Store/Godfathers Pizza	Supplies/Pizza	\$268
Charlie Ambrose, bus driver Owns Charlie's Garden	Supplies	\$84

In accordance with an Attorney’s General’s opinion dated July 2, 1990, the above transactions with District employees do not appear to represent a conflict of interest.

- 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 - We noted no variances regarding the supplementary weighting data certified to the Iowa Department of Education.
- 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 - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	809,130
Revenues:			
Sales tax revenues	\$	459,066	
Other local revenues		278,955	738,021
			<u>1,547,151</u>
Expenditures/transfers out:			
School infrastructure construction		47,035	
Equipment		252,305	
Other		223,370	
Transfers to other funds:			
Other Transfers		175,145	697,855
			<u>849,296</u>
Ending Balance		\$	<u>849,296</u>

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 432E or 423F of the Code of Iowa.

- II-M-17 Deficit Student Activity Accounts - At June 30, 2017, the District had four accounts in the Student Activity Fund with a total deficit unassigned balances of \$15,960.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods and services from these accounts and then review these procedures with activity fund sponsors. The District should also develop a workout plan to eliminate the deficit account balances.

Response - The board will continue to monitor the Activity Fund accounts and instruct administration on any action they see necessary.

Conclusion - Response accepted.