

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2017

Name	Title	Term Expires
Board of Education		
Kirk Leeds	President	September, 2017
Jan Westrum	Vice President	September, 2019
Dr. Brian Mehlhaus	Board Member	September, 2017
Scott Degeneffe	Board Member	September, 2019
Jean Sorsen	Board Member	September, 2019
School Officials		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Boone Community School District
Boone, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District, Boone, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 5 through 15 and 47 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone 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 unqualified opinions on the financial statements for the years ended June 30, 2008 through 2011, a qualified opinion on the financial statements for the year ended June 30, 2012 and an adverse opinion on the financial statements for the years ended June 30, 2013 through 2016. The supplementary information included on pages 53 through 62, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2017 on our consideration of Boone 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone Community School District is pleased to provide this management's discussion and analysis of its financial statements. This narrative overview and analysis of the District's financial performance 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 revenue increased 1.3% from \$23,673,513 in fiscal year 2016 to \$23,970,044 in fiscal year 2017 while General Fund expenditures increased 4.1% from \$23,701,748 in fiscal year 2016 to \$24,671,130 in fiscal year 2017. The District's General Fund balance decreased from \$4,442,954 as of the end of fiscal year 2016 to \$3,791,817 as of the end of fiscal year 2017, a 14.7% decrease.
- The increase in General Fund revenue was primarily attributable to an increase in Medicaid receipts and funding for the Title I program. Due to a reduction in the budget guarantee amount, local property tax revenue went down while state aid revenue went up.
- The increase in General Fund expenditures was primarily attributed to an increase in negotiated salaries and benefits and an increase in tuition paid to other districts.

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 Boone 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 Boone Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Boone Community School District acts solely as an agent or custodian for the benefit of those outside the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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

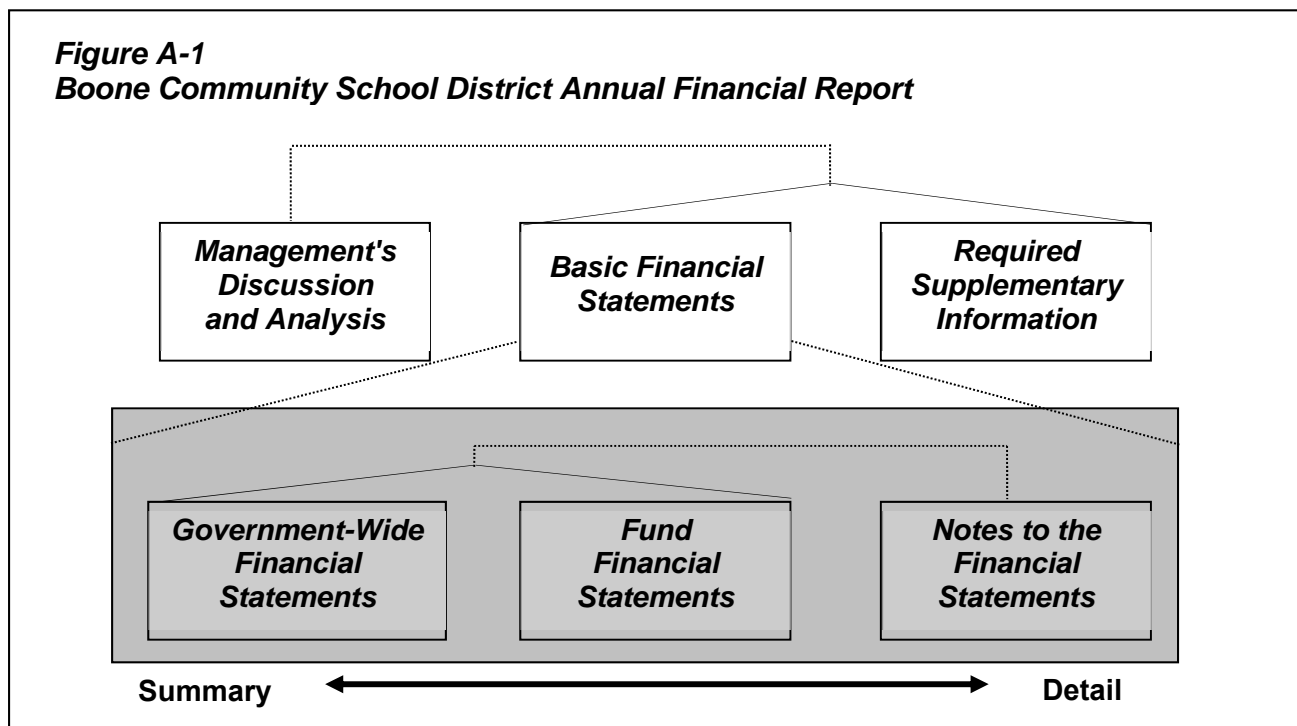


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
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 services and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenue, expenditures and changes in fund balances	Statement of net position Statement of revenue, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue 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 are 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.

Review of BCSD Property Tax Valuations by Year			
Year	Taxable Valuation Without TIF	Increase (Decrease) Over Previous Year	Percent Change
FY 08	\$382,551,700	\$ 5,578,803	1.48%
FY 09	397,048,126	14,496,426	3.79%
FY 10	415,002,669	17,954,543	4.52%
FY 11	429,019,784	14,017,115	3.38%
FY 12	425,063,630	(3,956,154)	0.10%
FY 13	439,261,596	14,197,966	3.34%
FY 14	463,487,330	24,225,734	5.51%
FY 15	465,221,928	7,734,598	1.67%
FY 16	467,421,037	2,199,109	0.47%
FY 17	475,130,923	7,709,886	1.65%

BCSD Facilities by Age		
	Built	Additions
Boone High School	1913	1924, 1954, 1986, 1995, 2014
Lincoln Elementary	1939	1960
Franklin Elementary	1954	1998, 2010
Page Elementary	1960	
Boone Middle School	2006	2010

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 or 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 it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- *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 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 governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's Internal Service Fund is used to account for dental insurance.

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

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds are the Private-Purpose Trust Fund, which is used to account for outside donations for scholarships for individual students, and the Agency Fund, which is used to account for funds the District administers for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring assets reported in the fiduciary fund 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 the fiduciary fund 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 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 as of June 30, 2017 compared to June 30, 2016.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Current and Other Assets	23,985	23,590	463	367	24,448	23,957	2.0 %
Capital Assets	43,844	44,222	129	158	43,973	44,380	(0.9)%
Total Assets	67,829	67,812	592	525	68,421	68,337	0.1 %
Deferred Outflows of Resources	3,537	1,751	70	31	3,607	1,782	102.4 %
Total Assets and Deferred Outflows of Resources	71,366	69,563	662	556	72,028	70,119	2.7 %
Long-Term Liabilities	44,955	44,009	235	184	45,190	44,193	2.3 %
Other Liabilities	3,281	3,369	76	23	3,357	3,392	(1.0)%
Total Liabilities	48,236	47,378	311	207	48,547	47,585	2.0 %
Deferred Inflows of Resources	9,652	9,790	7	17	9,659	9,807	(1.5)%
Net Position							
Net investment in capital assets	13,683	12,327	129	158	13,812	12,485	10.6 %
Restricted	5,782	5,271	-	-	5,782	5,271	9.7 %
Unrestricted	(5,987)	(5,203)	215	174	(5,772)	(5,029)	(14.8)%
Total Net Position	13,478	12,395	344	332	13,822	12,727	8.6 %
Total Liabilities, Deferred Inflows of Resources and Net Position	71,366	69,563	662	556	72,028	70,119	2.7 %

The District's total net position increased 8.6%, or approximately \$1,095,000, 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 resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District's total restricted net position increased by approximately \$511,000, or 9.7%, over the prior year.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by approximately \$743,000, or 14.8%.

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
Change in Net Position
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total District		Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenue							
Program Revenue							
Charges for service	2,019	1,835	422	430	2,441	2,265	7.8 %
Operating grants and contributions	4,172	4,124	491	542	4,663	4,666	(0.1)%
General Revenue							
Property tax	8,635	8,530	-	-	8,635	8,530	1.2 %
Income surtax	876	842	-	-	876	842	4.0 %
Statewide sales, services and use tax	2,003	2,028	-	-	2,003	2,028	(1.2)%
Unrestricted state grants	11,633	11,335	-	-	11,633	11,335	2.6 %
Unrestricted investment earnings	27	8	1	-	28	8	250.0 %
Total Revenue	29,365	28,702	914	972	30,279	29,674	2.0 %
Program Expenses							
Instruction	18,179	16,710	-	-	18,179	16,710	8.8 %
Support services	8,040	7,510	-	-	8,040	7,510	7.1 %
Noninstructional programs	-	-	852	952	852	952	(10.5)%
Other	2,113	2,965	-	-	2,113	2,965	(28.7)%
Total Expenses	28,332	27,185	852	952	29,184	28,137	3.7 %
Change in Net Position Before Transfers	1,033	1,517	62	20	1,095	1,537	(28.8)%
Transfers	50	32	(50)	(32)	-	-	0.0 %
Change in Net Position	1,083	1,549	12	(12)	1,095	1,537	(28.8)%
Net Position - Beginning of Year	12,395	10,846	332	344	12,727	11,190	13.7 %
Net Position - End of Year	13,478	12,395	344	332	13,822	12,727	8.6 %

In fiscal year 2017, property tax and unrestricted state grants accounted for 69.0% of governmental activities revenue while charges for service and operating grants and contributions accounted for 99.9% of business-type activities revenue.

The District's total revenue was approximately \$30.3 million, of which approximately \$29.4 million was for governmental activities and less than \$1.0 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 2.0% increase in revenue and a 3.7% increase in expenses. The increase in expenses was primarily related to an increase in negotiated salaries and benefits and an increase in tuition paid to other districts.

Governmental Activities

Governmental activities revenue was \$29,365,130 and expenses were \$28,332,278 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 years ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	2017	2016		2017	2016	
	Total Cost of Services	Total Cost of Services	Percentage Change 2016-2017	Net Cost of Services	Net Cost of Services	Percentage Change 2016-2017
Instruction	\$ 18,179	\$ 16,710	8.8 %	\$ 13,033	\$ 11,781	10.6 %
Support Services	8,040	7,510	7.1 %	7,869	7,367	6.8 %
Other Expenses	2,113	2,965	(28.7)%	1,238	2,078	(40.4)%
Total	\$ 28,332	\$ 27,185	(12.9)%	\$ 22,140	\$ 21,226	4.3 %

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$2,019,247.
- Federal and state governments and local entities subsidized certain programs with grants and contributions totaling \$4,172,076.
- The net cost of governmental activities was financed with \$11,513,420 in property and other taxes and \$11,633,272 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2017 was \$913,171, representing a 6.0% decrease from the prior year, while expenses totaled \$852,149, a 10.5% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue of this activity is primarily comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Boone 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 \$10,568,198, below last year's ending fund balances of \$10,769,546. The primary reason for the decrease in combined fund balances at the end of fiscal year 2017 was due to a reduction in the General Fund balance, offset by a smaller increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The General Fund balance decreased \$651,137 to \$3,791,817 at the end of fiscal year 2017.
- The Debt Service Fund balance increased from \$958,643 at the end of fiscal year 2016 to \$990,609 at the end of fiscal year 2017. The increase was due to receipt of commercial and industrial property tax replacement payments from the State.
- The Capital Projects Fund balance increased from \$4,499,419 at the end of fiscal year 2016 to \$4,972,514 at the end of fiscal year 2017. This was due to accumulation of Statewide Sales, Services and Use Tax for a future construction project and not having any current construction in progress.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$332,467 as of June 30, 2016 to \$343,540 June 30, 2017, representing an increase of 3.3%. The increase was primarily due to a significant decrease in purchased food due to serving fewer meals.
- The Internal Service Fund net position increased from \$62,239 as of June 30, 2016 to \$66,511 as of June 30, 2017, representing an increase of 6.9%. The increase was a result of premium contributions in excess of claims and fees during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Boone Community School District amended its budget one time to reflect additional expenditures associated with increased associate needs and refunding of general obligation debt.

The District's total revenue was \$315,209 more than total budgeted revenue, a variance of 1.1%.

Total expenditures were less than budgeted due primarily to not spending as much as planned on capital projects. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had invested approximately \$44.0 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 represents a net decrease of 0.9% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$1,310,132.

The original cost of the District's capital assets was approximately \$57.5 million. Governmental funds account for approximately \$57 million, with the remainder of approximately \$0.5 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements category as the High School addition and renovation was capitalized out of construction in progress.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total District		Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	-	201	-	-	-	201	(100.0)%
Buildings and Improvements	42,897	42,940	-	-	42,897	42,940	(0.1)%
Furniture and Equipment	628	762	129	158	757	920	(17.7)%
Total	43,844	44,222	129	158	43,973	44,380	(0.9)%

LONG-TERM DEBT

As of June 30, 2017, the District had a total of approximately \$31.3 million in general obligation and revenue bonds outstanding, net of unamortized premiums and discounts. This represents a decrease of 5.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$42 million.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30, 2017	June 30, 2016	June 30, 2016-2017
General Obligation Bonds	20,138	21,191	(5.0)%
Revenue Bonds	11,210	11,890	(5.7)%
Unamortized Underwriter's Discount	(280)	(302)	(7.3)%
Unamortized Premium	219	240	(8.8)%
Total	31,287	33,019	(5.2)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Boone Community School District Board of Education adopted a fiscal management policy in fiscal year 2011. Financial targets for two key school finance indicators, unspent authorized budget and solvency ratio, have been set to closely monitor the current and projected fiscal health of the District. Sustainability is an important goal which will require a spending plan related to budgetary allowable growth each year. Recurring expenses such as salaries and benefits which represent nearly 80% of the General Fund budget, must be scrutinized and adjusted as necessary to maintain the District's fiscal management goals.
- The District's unspent and unrestricted authorized budget balance, or the remaining legal spending authority at the end of a fiscal year, decreased from \$3,731,491 as of June 30, 2016 to \$3,544,397 as of June 30, 2017. This is the most important financial health indicator for the District, and the fiscal management goal is no less than 10% with a target of 15%. The unspent balance ratio decreased from 13.3% as of June 30, 2016 to 12.3% as of June 30, 2017.
- The District's General Fund balance increased during fiscal year 2017. The General Fund unassigned fund balance decreased from \$3,932,899 as of June 30, 2016 to \$3,222,698 as of June 30, 2017. The District's targeted solvency ratio as of June 30 is a minimum of 15% of that year's revenue. The solvency ratio as of June 30, 2017 is 13.42%, a decrease compared to 16.59% as of June 30, 2016.
- The allowable growth increase for fiscal year 2018 is 1.11% and fiscal year 2019 has not yet been set. The certified enrollment figures reported in October, 2017, which will be the basis for the District's state funding for fiscal year 2019, increased by 4.93 students. The District's served enrollment increased by 21.93 students, compared to the prior year. Future enrollment declines are expected.
- The District enters into annual contracts with its two collective bargaining units. Growth in employee wages and benefits has outpaced state funding to schools which has a profound effect on the District's General Fund budget as salaries and benefits remain close to 80% of General Fund expenditures. Low allowable growth and declining enrollment trends continue to have a significant impact on future budget decisions.

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 commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Paulette Newbold, CPA, District Secretary/Treasurer and Director of Business Services, Boone Community School District, 500 Seventh Street, Boone, Iowa 50036-2898.

Basic Financial Statements

Statement of Net Position

As of June 30, 2017

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and pooled investments	\$ 12,712,486	\$ 423,587	\$ 13,136,073
Receivables			
Property Tax, Net of Allowance			
Current year delinquent.....	87,036	—	87,036
Succeeding year.....	9,274,018	—	9,274,018
Accounts.....	5,726	5,475	11,201
Internal balances.....	49,949	5,178	55,127
Due from other governments.....	1,540,010	10,689	1,550,699
Inventories and prepaid items.....	36,218	17,752	53,970
Unamortized underwriter's discount on bonds payable.....	279,636	—	279,636
Capital assets, net of accumulated depreciation	<u>43,844,269</u>	<u>128,608</u>	<u>43,972,877</u>
Total Assets.....	<u>67,829,348</u>	<u>591,289</u>	<u>68,420,637</u>
Deferred Outflows of Resources			
Pension-related deferred outflows.....	<u>3,536,818</u>	<u>70,055</u>	<u>3,606,873</u>
Total Assets and Deferred Outflows of Resources.....	<u>\$ 71,366,166</u>	<u>\$ 661,344</u>	<u>\$ 72,027,510</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable.....	\$ 261,384	\$ 1,963	\$ 263,347
Salaries and benefits payable.....	2,039,302	8,149	2,047,451
Internal balances.....	5,178	49,949	55,127
Due to other governments.....	642,617	—	642,617
Accrued interest payable.....	324,077	—	324,077
Unearned revenue.....	7,840	16,000	23,840
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds.....	1,079,000	—	1,079,000
Revenue bonds.....	690,000	—	690,000
Unamortized bond premium.....	20,659	—	20,659
Early retirement.....	77,454	—	77,454
Portion Due After One Year			
General obligation bonds.....	19,059,000	—	19,059,000
Revenue bonds.....	10,520,000	—	10,520,000
Unamortized premium on bonds payable.....	198,228	—	198,228
Net pension liability.....	12,897,898	234,686	13,132,584
Net OPEB liability.....	<u>413,000</u>	<u>—</u>	<u>413,000</u>
Total Liabilities.....	<u>48,235,637</u>	<u>310,747</u>	<u>48,546,384</u>

See accompanying notes to the financial statements.

Statement of Net Position

As of June 30, 2017

	Governmental Activities	Business- Type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenue.....	\$ 9,274,018	\$ —	\$ 9,274,018
Pension-related deferred inflows.....	378,453	7,057	385,510
Total Deferred Inflows of Resources.....	<u>9,652,471</u>	<u>7,057</u>	<u>9,659,528</u>
Net Position			
Net investment in capital assets.....	13,683,282	128,608	13,811,890
Restricted for			
Categorical funding.....	533,286	—	533,286
Debt service.....	727,281	—	727,281
School infrastructure.....	3,022,953	—	3,022,953
Physical plant and equipment.....	762,548	—	762,548
Student activities.....	186,225	—	186,225
Management levy purposes.....	408,419	—	408,419
Public recreation.....	140,775	—	140,775
Unrestricted.....	<u>(5,986,711)</u>	<u>214,932</u>	<u>(5,771,779)</u>
Total Net Position.....	<u>13,478,058</u>	<u>343,540</u>	<u>13,821,598</u>
Total Liabilities, Deferred Inflows of Resources and Net Position.....	<u>\$ 71,366,166</u>	<u>\$ 661,344</u>	<u>\$ 72,027,510</u>

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		Net (Expense), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular.....	\$ 12,137,555	\$ 1,487,573	\$ 3,058,958	\$ (7,591,024)	\$ —	\$ (7,591,024)
Special	4,792,027	162,019	112,723	(4,517,285)	—	(4,517,285)
Other	1,249,077	257,090	67,052	(924,935)	—	(924,935)
Total Instruction.....	<u>18,178,659</u>	<u>1,906,682</u>	<u>3,238,733</u>	<u>(13,033,244)</u>	<u>—</u>	<u>(13,033,244)</u>
Support Services						
Student.....	1,110,913	—	—	(1,110,913)	—	(1,110,913)
Instructional staff.....	1,220,021	—	44,422	(1,175,599)	—	(1,175,599)
Administration	2,553,823	—	—	(2,553,823)	—	(2,553,823)
Operation and maintenance of plant.....	2,566,208	104,483	—	(2,461,725)	—	(2,461,725)
Transportation	589,182	8,082	13,689	(567,411)	—	(567,411)
Total Support Services.....	<u>8,040,147</u>	<u>112,565</u>	<u>58,111</u>	<u>(7,869,471)</u>	<u>—</u>	<u>(7,869,471)</u>
Other Expenses						
Facilities acquisition	146,360	—	—	(146,360)	—	(146,360)
Long-term debt interest and fiscal charges	1,090,861	—	—	(1,090,861)	—	(1,090,861)
AEA flowthrough	875,232	—	875,232	—	—	—
Depreciation - unallocated*	1,019	—	—	(1,019)	—	(1,019)
Total Other Expenses	<u>2,113,472</u>	<u>—</u>	<u>875,232</u>	<u>(1,238,240)</u>	<u>—</u>	<u>(1,238,240)</u>
Total Governmental Activities	<u>28,332,278</u>	<u>2,019,247</u>	<u>4,172,076</u>	<u>(22,140,955)</u>	<u>—</u>	<u>(22,140,955)</u>
Business-Type Activities						
Noninstructional Programs						
Food service operations.....	<u>852,149</u>	<u>421,709</u>	<u>490,566</u>	<u>—</u>	<u>60,126</u>	<u>60,126</u>
Total	<u>\$ 29,184,427</u>	<u>\$ 2,440,956</u>	<u>\$ 4,662,642</u>	<u>(22,140,955)</u>	<u>60,126</u>	<u>(22,080,829)</u>
General Revenue						
Property Tax Levied for						
General purposes.....				5,767,914	—	5,767,914
Management levy purposes				300,122	—	300,122
Public recreation				64,168	—	64,168
Capital outlay				822,527	—	822,527
Debt service				1,680,309	—	1,680,309
Income surtax				875,730	—	875,730
Statewide sales, services and use tax.....				2,002,650	—	2,002,650
Unrestricted state grants				11,633,272	—	11,633,272
Unrestricted investment earnings				27,115	896	28,011
Total General Revenue				<u>23,173,807</u>	<u>896</u>	<u>23,174,703</u>
Transfers				<u>49,949</u>	<u>(49,949)</u>	<u>—</u>
Change in Net Position				<u>1,082,801</u>	<u>11,073</u>	<u>1,093,874</u>
Net Position - Beginning of Year				12,395,257	332,467	12,727,724
Net Position - End of Year				<u>\$ 13,478,058</u>	<u>\$ 343,540</u>	<u>\$ 13,821,598</u>

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

Balance Sheet - Governmental Funds

As of June 30, 2017

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 6,018,360	\$ 973,644	\$ 4,813,699	\$ 829,933	\$ 12,635,636
Receivables					
Property Tax, Net of Allowance					
Current year delinquent.....	58,262	16,847	8,247	3,680	87,036
Succeeding year	6,235,060	1,675,225	861,411	502,322	9,274,018
Accounts.....	3,975	—	—	1,751	5,726
Due from other funds	49,949	—	—	505	50,454
Due from other governments	1,375,299	118	164,566	27	1,540,010
Prepaid items	35,833	—	—	385	36,218
Total Assets	<u>\$ 13,776,738</u>	<u>\$ 2,665,834</u>	<u>\$ 5,847,923</u>	<u>\$ 1,338,603</u>	<u>\$ 23,629,098</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable.....	\$ 228,550	\$ —	\$ 13,998	\$ 16,337	\$ 258,885
Salaries and benefits payable.....	2,039,302	—	—	—	2,039,302
Due to other governments	635,931	—	—	6,686	642,617
Due to other funds.....	5,683	—	—	—	5,683
Total Liabilities	<u>2,909,466</u>	<u>—</u>	<u>13,998</u>	<u>23,023</u>	<u>2,946,487</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax.....	6,235,060	1,675,225	861,411	502,322	9,274,018
Income surtax.....	826,778	—	—	—	826,778
Other.....	13,617	—	—	—	13,617
Total Deferred Inflows of Resources	<u>7,075,455</u>	<u>1,675,225</u>	<u>861,411</u>	<u>502,322</u>	<u>10,114,413</u>
Fund Balances					
Nonspendable					
Prepaid items.....	35,833	—	—	385	36,218
Restricted for					
Categorical funding	533,286	—	—	—	533,286
Debt service.....	—	990,609	1,187,013	—	2,177,622
School infrastructure	—	—	3,022,953	—	3,022,953
Physical plant and equipment	—	—	762,548	—	762,548
Student activities	—	—	—	186,225	186,225
Management levy purposes	—	—	—	485,873	485,873
Public recreation.....	—	—	—	140,775	140,775
Unassigned	3,222,698	—	—	—	3,222,698
Total Fund Balances	<u>3,791,817</u>	<u>990,609</u>	<u>4,972,514</u>	<u>813,258</u>	<u>10,568,198</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,776,738</u>	<u>\$ 2,665,834</u>	<u>\$ 5,847,923</u>	<u>\$ 1,338,603</u>	<u>\$ 23,629,098</u>

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2017

Total Fund Balances for Governmental Funds (Page 19)..... **\$ 10,568,198**

***Amounts reported for governmental activities in the
statement of net position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 43,844,269

An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..... 66,511

Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds 826,778

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 governmental funds (324,077)

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.....	\$ 3,536,818	
Deferred inflows of resources.....	<u>(378,453)</u>	3,158,365

Other deferred inflows of resources are not available to pay current year expenditures and, therefore, are not reported in the governmental funds..... 13,617

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Unamortized underwriter's discount on bonds payable.....	\$ 279,636	
General obligation bonds	(20,138,000)	
Revenue bonds	(11,210,000)	
Unamortized premium on bonds payable	(218,887)	
Early retirement.....	(77,454)	
Net pension liability	(12,897,898)	
Net OPEB liability.....	<u>(413,000)</u>	<u>(44,675,603)</u>

Net Position of Governmental Activities (Page 17) **\$ 13,478,058**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2017

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax	\$ 6,601,701	\$ 1,680,308	\$ 822,528	\$ 364,291	\$ 9,468,828
Tuition	885,431	—	—	—	885,431
Other	195,823	5,509	65,456	338,433	605,221
State sources	15,105,694	35,210	2,019,885	7,906	17,168,695
Federal sources	1,181,395	—	—	—	1,181,395
Total Revenue	<u>23,970,044</u>	<u>1,721,027</u>	<u>2,907,869</u>	<u>710,630</u>	<u>29,309,570</u>
Expenditures					
Current					
Instruction					
Regular	10,673,485	—	109,080	205,113	10,987,678
Special	4,763,946	—	—	—	4,763,946
Other	912,800	—	—	298,174	1,210,974
Total Instruction	<u>16,350,231</u>	<u>—</u>	<u>109,080</u>	<u>503,287</u>	<u>16,962,598</u>
Support Services					
Student	1,103,856	—	—	—	1,103,856
Instructional staff	1,209,055	—	—	—	1,209,055
Administration	2,415,630	—	105,298	10,940	2,531,868
Operation and maintenance of plant	2,199,261	—	83,245	239,332	2,521,838
Transportation	517,865	—	—	12,343	530,208
Total Support Services	<u>7,445,667</u>	<u>—</u>	<u>188,543</u>	<u>262,615</u>	<u>7,896,825</u>
Other Expenditures					
Facilities acquisition	—	—	1,000,077	—	1,000,077
Long-Term Debt					
Principal	—	1,733,000	—	—	1,733,000
Interest and fiscal charges	—	1,093,135	—	—	1,093,135
AEA flowthrough	875,232	—	—	—	875,232
Total Other Expenditures	<u>875,232</u>	<u>2,826,135</u>	<u>1,000,077</u>	<u>—</u>	<u>4,701,444</u>
Total Expenditures	<u>24,671,130</u>	<u>2,826,135</u>	<u>1,297,700</u>	<u>765,902</u>	<u>29,560,867</u>
Revenue Over (Under) Expenditures	<u>(701,086)</u>	<u>(1,105,108)</u>	<u>1,610,169</u>	<u>(55,272)</u>	<u>(251,297)</u>
Other Financing Sources (Uses)					
Transfers in	49,949	1,137,074	—	—	1,187,023
Transfers out	—	—	(1,137,074)	—	(1,137,074)
Total Other Financing Sources (Uses)	<u>49,949</u>	<u>1,137,074</u>	<u>(1,137,074)</u>	<u>—</u>	<u>49,949</u>
Change in Fund Balances	<u>(651,137)</u>	<u>31,966</u>	<u>473,095</u>	<u>(55,272)</u>	<u>(201,348)</u>
Fund Balance - Beginning of Year ...	4,442,954	958,643	4,499,419	868,530	10,769,546
Fund Balance - End of Year	<u>\$ 3,791,817</u>	<u>\$ 990,609</u>	<u>\$ 4,972,514</u>	<u>\$ 813,258</u>	<u>\$ 10,568,198</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, 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 21) \$ (201,348)

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. The amounts of capital outlays and depreciation expense for the year are as follows:

Expenditures for capital outlays	\$ 901,243	
Depreciation expense	<u>(1,278,551)</u>	(377,308)

Amortization of premiums and discounts on bonds payable does not provide or use current financial resources of governmental funds but it decreases assets and liabilities in the statement of net position..... (1,859)

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 interest accrues, regardless of when it is due..... 4,133

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position..... 1,733,000

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds..... 55,560

An internal service fund is used by management to charge the costs of dental insurance to individual funds. The change in net position of the internal service fund is reported in governmental activities in the statement of activities. 4,272

The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position..... 1,354,657

Some expenses 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:

Early retirement.....	\$ 10,169	
Pension expense.....	(1,459,475)	
Net OPEB liability.....	<u>(39,000)</u>	<u>(1,488,306)</u>

Change in Net Position of Governmental Activities (Page 18) \$ 1,082,801

Statement of Net Position - Proprietary Funds

As of June 30, 2017

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Self- Insurance</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash, cash equivalents and investments	\$ 423,587	\$ 76,850
Accounts receivable	5,475	—
Inventories	17,752	—
Due from other funds	5,178	—
Due from other governments	10,689	—
Total Current Assets	<u>462,681</u>	<u>76,850</u>
Capital Assets, Net of Accumulated Depreciation	<u>128,608</u>	<u>—</u>
Total Assets	<u>591,289</u>	<u>76,850</u>
Deferred Outflows of Resources		
Pension-related deferred outflows	<u>70,055</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 661,344</u>	<u>\$ 76,850</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 1,963	\$ 2,499
Salaries and benefits payable	8,149	—
Due to other funds	49,949	—
Premiums received in advance	—	7,840
Unearned revenue	16,000	—
Total Current Liabilities	<u>76,061</u>	<u>10,339</u>
Net Pension Liability	<u>234,686</u>	<u>—</u>
Total Liabilities	<u>310,747</u>	<u>10,339</u>
Deferred Inflows of Resources		
Pension-related deferred inflows	<u>7,057</u>	<u>—</u>
Net Position		
Net investment in capital assets	128,608	—
Unrestricted	214,932	66,511
Total Net Position	<u>343,540</u>	<u>66,511</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 661,344</u>	<u>\$ 76,850</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2017

	Nonmajor Enterprise School Nutrition	Internal Service Self- Insurance
Operating Revenue		
Local Sources		
Charges for service.....	\$ 421,709	\$ —
Self-insurance contributions.....	—	89,913
Total Operating Revenue.....	<u>421,709</u>	<u>89,913</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	351,335	—
Purchased services.....	7,220	—
Supplies and other	462,013	—
Depreciation	31,581	—
Self-insurance claims and fees.....	—	85,641
Total Operating Expenses	<u>852,149</u>	<u>85,641</u>
Income (Loss) From Operations	<u>(430,440)</u>	<u>4,272</u>
Nonoperating Revenue		
State sources.....	6,431	—
Federal sources.....	484,135	—
Interest on investments	896	—
Total Nonoperating Revenue	<u>491,462</u>	<u>—</u>
Income Before Transfers	61,022	4,272
Transfers out.....	<u>(49,949)</u>	<u>—</u>
Change in Net Position	11,073	4,272
Net Position - Beginning of Year	<u>332,467</u>	<u>62,239</u>
Net Position - End of Year	<u>\$ 343,540</u>	<u>\$ 66,511</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2017

	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service Self- Insurance</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 405,510	\$ —
Cash received from assessments made to other funds	—	90,409
Cash paid to employees for services.....	(347,527)	—
Cash paid to suppliers for goods and services.....	(397,299)	—
Cash paid for self-insurance claims and fees.....	—	(87,921)
Net Cash Provided by (Used in) Operating Activities	<u>(339,316)</u>	<u>2,488</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	6,431	—
Federal grants received.....	419,213	—
Transfer out.....	(49,949)	—
Increase in due to other funds.....	17,949	—
Net Cash Provided by Noncapital Financing Activities	<u>393,644</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>896</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	<u>(1,699)</u>	<u>—</u>
Net Increase in Cash, Cash Equivalents and Investments	53,525	2,488
Cash, Cash Equivalents and Investments - Beginning of Year	<u>370,062</u>	<u>74,362</u>
Cash, Cash Equivalents and Investments - End of Year ...	<u>\$ 423,587</u>	<u>\$ 76,850</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations	\$ (430,440)	\$ 4,272
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used	74,937	—
Depreciation.....	31,581	—
Changes in Assets and Liabilities		
Increase in receivables.....	(1,056)	—
Increase in inventories	(4,286)	—
Increase in due from other funds.....	(5,178)	—
Increase in due from other governments.....	(10,689)	—
Increase in pension-related deferred outflows	(38,991)	—
Increase (decrease) in accounts payable.....	1,283	(2,280)
Increase in salaries and benefits payable	1,839	—
Increase in premiums received in advance	—	496
Increase in unearned revenue.....	724	—
Increase in net pension liability	50,768	—
Decrease in pension-related deferred inflows.....	(9,808)	—
Net Cash Provided by (Used in) Operating Activities	<u>\$ (339,316)</u>	<u>\$ 2,488</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2017, the District received \$64,922 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2017

	<u>Private Purpose Trust</u> Scholarship
Assets	
Cash, cash equivalents and investments	<u>\$ 141,784</u>
Liabilities	
Accounts payable	<u>\$ 390</u>
Net Position	
Reserved for scholarships	<u>141,394</u>
Total Liabilities and Net Position	<u>\$ 141,784</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund —————

Year Ended June 30, 2017

	Private Purpose Trust <u>Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	\$ 3,804
Other	<u>158</u>
Total Additions	<u>3,962</u>
Deductions	
Instruction	
Regular	
Scholarships awarded and other deductions	<u>10,868</u>
Change in Net Position	(6,906)
Net Position - Beginning of Year	<u>148,300</u>
Net Position - End of Year	<u>\$ 141,394</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Boone Community School District is a political subdivision of the State of Iowa and operates a preschool and public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

For financial reporting purposes, Boone 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 Organization

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of net position not meeting the definition of the 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 revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes: (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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

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 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 revenue and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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's proprietary funds are the School Nutrition Fund, an enterprise fund, used to account for the food service operations of the District and the Self-Insurance Fund, an internal service fund, used to account for the self-funded dental insurance plan operated by the District.

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, 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 revenue. 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 revenue.

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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, Cash Equivalents and Pooled Investments

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 nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have 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 1-1/2% 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 revenue, grants and reimbursements from other governments.

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2017. 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.

Land	\$ 5,000
Buildings and improvements	5,000
Intangibles	50,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Buildings and improvements	20 - 50 Years
Intangibles	5 - 10 Years
Furniture and Equipment	
School Nutrition Fund equipment	12 Years
Other furniture and equipment	10 Years

Deferred Outflows of Resources

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

Salaries and Benefits Payable

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

Unearned Revenue

Unearned revenue represents amounts paid to the District in advance of the District providing the services for which they were paid. In the governmental funds, this amount is for prepayment of health insurance premiums. In the business-type fund, it is for student lunch account balances at year end.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District had no compensated absences liability as of June 30, 2017.

(1) Summary of Significant Accounting Policies

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is 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 represents 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 and income surtax receivable not collected within 60 days after year end.

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

Fund Balances

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

Nonspendable - Amounts which cannot be spent because they are in nonspendable form.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As of June 30, 2017, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at amortized cost of \$8,406,716, pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investment. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

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

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Enterprise	
	School Nutrition	\$ 49,949
Student Activities	General Fund	505
Enterprise	General Fund	
School Nutrition		<u>5,178</u>
		<u>\$ 55,632</u>

The School Nutrition Fund is repaying the General Fund for indirect cost recovery of expenses that the General Fund has paid on behalf of the School Nutrition Fund. The General Fund is repaying the Student Activities Fund and the School Nutrition Fund for miscellaneous expenditures that should have been paid out of the General Fund. All balances are to be repaid by June 30, 2018.

(4) Interfund Transfers

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

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	\$ 1,137,074
General Fund	Enterprise	
	School Nutrition	<u>49,949</u>
		<u>\$ 1,187,023</u>

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

Notes to the Financial Statements

(5) 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	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress	<u>201,252</u>	<u>726,740</u>	<u>927,992</u>	<u>—</u>
Total Capital Assets Not Being Depreciated	<u>520,684</u>	<u>726,740</u>	<u>927,992</u>	<u>319,432</u>
Capital Assets Being Depreciated				
Buildings and improvements	54,430,033	1,073,980	—	55,504,013
Furniture and equipment	<u>2,636,205</u>	<u>28,515</u>	<u>—</u>	<u>2,664,720</u>
Total Capital Assets Being Depreciated	<u>57,066,238</u>	<u>1,102,495</u>	<u>—</u>	<u>58,168,733</u>
Less Accumulated Depreciation for				
Buildings and improvements	11,490,539	1,116,677	—	12,607,216
Furniture and equipment	<u>1,874,806</u>	<u>161,874</u>	<u>—</u>	<u>2,036,680</u>
Total Accumulated Depreciation ..	<u>13,365,345</u>	<u>1,278,551</u>	<u>—</u>	<u>14,643,896</u>
Total Capital Assets Being Depreciated, Net	<u>43,700,893</u>	<u>(176,056)</u>	<u>—</u>	<u>43,524,837</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 44,221,577</u>	<u>\$ 550,684</u>	<u>\$ 927,992</u>	<u>\$ 43,844,269</u>
Business-Type Activities				
Furniture and equipment	\$ 472,785	\$ 1,699	\$ —	\$ 474,484
Less accumulated depreciation	<u>314,295</u>	<u>31,581</u>	<u>—</u>	<u>345,876</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 158,490</u>	<u>\$ (29,882)</u>	<u>\$ —</u>	<u>\$ 128,608</u>

Depreciation expense was charged to the following functions:

Governmental Activities

Instruction		
Regular		\$ 1,097,140
Other		31,351
Support Services		
Administration		25,317
Operation and maintenance of plant		68,183
Transportation		55,541
Subtotal		<u>1,277,532</u>
Unallocated		1,019
Total Depreciation Expense - Governmental Activities		<u>\$ 1,278,551</u>

Business-Type Activities

Food Service Operations		<u>\$ 31,581</u>
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Notes to the Financial Statements

(6) Long-Term Liabilities

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

Governmental Activities	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds	\$ 21,191,000	\$ —	\$ 1,053,000	\$ 20,138,000	\$ 1,079,000
Revenue bonds	11,890,000	—	680,000	11,210,000	690,000
Unamortized premium on bonds payable	239,546	—	20,659	218,887	20,659
Early retirement	87,623	77,454	87,623	77,454	77,454
Net pension liability.	10,227,104	2,670,794	—	12,897,898	—
Net OPEB liability ...	374,000	39,000	—	413,000	—
Total	\$ 44,009,273	\$ 2,787,248	\$ 1,841,282	\$ 44,955,239	\$ 1,867,113
Business-Type Activities					
Net pension liability.	\$ 183,918	\$ 50,768	\$ —	\$ 234,686	\$ —

General Obligation Bonds

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

	Bonds Issued December 22, 2009			Bonds Issued May 1, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2018.....	4.00%	\$ 585,000	\$ 155,000	2.00%	\$ 100,000	\$ 265,288
2019.....	4.00	610,000	131,600	2.00	100,000	263,287
2020.....	4.00	635,000	107,200	2.00	100,000	261,288
2021.....	4.00	655,000	81,800	2.25	100,000	259,287
2022.....	4.00	680,000	55,600	2.25	100,000	257,038
2023-2027	4.00	710,000	28,400	2.50 - 3.00	2,900,000	1,183,937
2028-2032		—	—	3.00 - 3.25	5,515,000	557,235
Total		\$ 3,875,000	\$ 559,600		\$ 8,915,000	\$ 3,047,360
	Bonds Issued May 1, 2013			Bonds Issued Aug. 13, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2018.....	2.00%	\$ 265,000	\$ 131,458	2.48%	\$ 129,000	\$ 42,978
2019.....	2.00	265,000	126,158	2.48	134,000	39,779
2020.....	2.00	275,000	120,858	2.48	135,000	36,456
2021.....	2.00	280,000	115,357	2.48	144,000	33,108
2022.....	2.00	295,000	109,757	2.48	143,000	29,537
2023-2027	2.00 - 2.30	2,020,000	449,173	2.48	1,048,000	48,335
2028-2032	2.50 - 3.00	2,215,000	173,062		—	—
Total		\$ 5,615,000	\$ 1,225,823		\$ 1,733,000	\$ 230,193
	Total					
	Principal	Interest	Principal	Interest	Principal	Interest
2018.....	\$ 1,079,000	\$ 594,724				
2019.....	1,109,000	560,824				
2020.....	1,145,000	525,802				
2021.....	1,179,000	489,552				
2022.....	1,218,000	451,932				
2023-2027	6,678,000	1,709,845				
2028-2032	7,730,000	730,297				
Total	\$ 20,138,000	\$ 5,062,976				

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

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

June 30,	Bonds Issued August 1, 2009			Bonds Issued December 1, 2011			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2018	4.000%	\$ 385,000	\$ 311,740	2.00%	\$ 305,000	\$ 127,423	\$ 690,000	\$ 439,163
2019	4.125	395,000	295,893	2.25	310,000	120,885	705,000	416,778
2020	4.300	405,000	279,039	2.25	320,000	113,798	725,000	392,837
2021	4.500	425,000	260,769	2.25	325,000	106,541	750,000	367,310
2022	4.625	445,000	240,916	2.40	335,000	98,865	780,000	339,781
2023-2027	4.750 - 5.000	2,610,000	848,878	2.60 - 3.25	1,800,000	351,451	4,410,000	1,200,329
2028-2030	5.000 - 5.300	1,930,000	157,145	3.35 - 3.55	1,220,000	64,850	3,150,000	221,995
Total.....		<u>\$ 6,595,000</u>	<u>\$ 2,394,380</u>		<u>\$ 4,615,000</u>	<u>\$ 983,813</u>	<u>\$ 11,210,000</u>	<u>\$ 3,378,193</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$14,710,000 of bonds issued in August, 2009 and December, 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition at the Middle School, an addition and remodeling at Franklin Elementary and additions and renovations at Boone High School. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July, 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 58% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$14,588,193. For the current year, principal of \$680,000 and interest of \$460,513 was paid on the bonds and total statewide sales, services and use tax revenue was \$11,633,272.

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

- (a) For the Series 2009 bonds, \$748,840 and for the Series 2011 bonds, \$438,173 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.

The District did comply with all the revenue bond provisions during the year ended June 30, 2017.

Notes to the Financial Statements

(7) Operating Leases

The District leases several copiers with terms of four years. The District also leases facilities within the area to house its home school. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017.

Year Ending June 30,	
2018.....	\$ 25,560
2019.....	<u>12,780</u>
	<u>\$ 38,340</u>

Total rental expenditures for the year ended June 30, 2017 for all operating leases, except those with terms of a month or less that were not renewed, were \$25,560.

(8) Pension and Retirement Benefits

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

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

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime 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, the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

(8) Pension and Retirement Benefits

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

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

Disability and Death Benefits

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

Contributions

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

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

The District's contributions to IPERS for the year ended June 30, 2017 were \$1,380,407.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a liability of \$13,132,584 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2016, the District's proportion was 0.208675% which was a decrease of 0.002054% from its proportion measured as of June 30, 2015.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

For the year ended June 30, 2017, the District recognized pension expense of \$1,487,194. As of 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	\$ 116,066	\$ 156,732
Changes of assumptions	200,362	—
Net difference between projected and actual earnings on IPERS investments	1,870,978	—
Changes in proportion and differences between District contributions and proportionate share of contributions	39,060	228,778
District contributions subsequent to the measurement date.....	<u>1,380,407</u>	<u>—</u>
Total	<u>\$ 3,606,873</u>	<u>\$ 385,510</u>

\$1,380,407 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2018.....	\$ 181,503
2019.....	181,503
2020.....	940,194
2021.....	546,474
2022.....	<u>(8,718)</u>
Total	<u>\$ 1,840,956</u>

There were no nonemployer 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% per annum.
Rate of salary increases (effective June 30, 2010)	4% to 17%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation assumption 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.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

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 7.5%. 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 of 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 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$21,246,745	\$13,132,584	\$6,284,127

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.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

Payables to the Pension Plan

As of June 30, 2017, the District reported payables to the defined benefit pension plan of \$111,368 for legally required employer contributions and \$74,204 for legally required employee contributions withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employee, retirees and their spouses. There are 143 active and 15 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

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.....	\$ 126,000
Interest on net OPEB obligation	15,000
Adjustment to annual required contribution	<u>(14,000)</u>
Annual OPEB Cost	127,000
Contributions made	<u>(88,000)</u>
Increase in Net OPEB Obligation.....	39,000
Net OPEB Obligation - Beginning of Year	<u>374,000</u>
Net OPEB Obligation - End of Year.....	<u>\$ 413,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$88,000 to the medical plan. Plan members eligible for benefits did not contribute a material amount of the premium costs.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 126,690	104.2%	\$ 323,000
June 30, 2016	127,000	59.8	374,000
June 30, 2017	127,000	69.3	413,000

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for the period of July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$1,137,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,137,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,910,000, and the ratio of the UAAL to the covered payroll was 10.4%. 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 healthcare 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, 2016 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 4.0%. The medical trend rate is reduced by 0.5% each year until reaching the 4.0% ultimate trend rate. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Generational Table with MP-2016 Projection Scale, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2016 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2017.

Projected claim costs of the medical plan range from \$606 to \$1,515 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Notes to the Financial Statements

(10) Risk Management

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

(11) Area Education Agency Support

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 \$875,232 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.

(12) Early Retirement

The District offered a voluntary early retirement plan to its employees during the year ended June 30, 2017. Eligible employees must have completed at least 15 years of full-time service to the District as a licensed employee and must have reached age 55 by the start of the following school year. The employee must also meet the "rule of 74" by the start of the following school year. The "rule of 74" is met when the employee's age plus years of service as a licensed employee in the District equal at least 74. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits are equal to 20% of the employee's regular contractual salary in effect during the employee's last year of regular employment with a maximum benefit of \$15,000. As of June 30, 2017, the District has obligations to six participants with a total liability of \$77,454. The benefits are scheduled to be paid in January, 2018.

(13) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2017 was approximately \$1,748,336.

(14) Employee Dental Plan

The District currently sponsors a self-funded dental plan. Under this plan, employees contribute a portion of their compensation and retirees and COBRA participants contribute the total cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

Notes to the Financial Statements

(14) Employee Dental Plan

The following is a summary of the claims activity for the year ended June 30, 2017:

Estimated claims incurred but not reported - June 30, 2016	\$ 4,779
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2017	83,361
Claims paid during the year ended June 30, 2017	<u>(85,641)</u>
Estimated Claims Incurred But Not Reported - June 30, 2017	<u>\$ 2,499</u>

(15) Categorical Funding

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

Program	Amount
Gifted and talented program	\$ 189,425
Returning dropout and dropout prevention program	61,889
Statewide voluntary four-year-old preschool program	136,965
Teacher salary supplement	18,266
Textbook aid for nonpublic students	807
Successful progression for early readers	9,296
Educator quality, professional development	15,200
Professional development for model core curriculum	35,513
Teacher leadership grant	<u>65,925</u>
Total	<u>\$ 533,286</u>

(16) Tax Abatements

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

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Boone	Urban Revitalization	\$107,540

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, the District received no material reimbursement.

Notes to the Financial Statements

(17) Construction Commitment

The District has completed all outstanding construction contracts as of June 30, 2017. Total costs of \$759,339 were incurred during the year to complete parking lot resurfacing and renovations of the HVAC system. No new construction contracts were entered into, and there are no outstanding liabilities at June 30, 2017.

(18) Subsequent Events

Management has evaluated events through December 4, 2017, the date which the financial statements were available to be issued.

(19) 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.

(20) Prospective Accounting Change

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

Required Supplementary Information



Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2017

	Actual			Budgeted Amounts		Over (Under) Budget
	Govern- mental Funds	Proprietary Fund	Total	Original	Final	
Revenue						
Local sources	\$ 10,959,480	\$ 422,605	\$ 11,382,085	\$ 11,289,981	\$ 11,289,981	\$ 92,104
State sources	17,168,695	6,431	17,175,126	17,244,651	17,244,651	(69,525)
Federal sources	1,181,395	484,135	1,665,530	1,372,900	1,372,900	292,630
Total Revenue	<u>29,309,570</u>	<u>913,171</u>	<u>30,222,741</u>	<u>29,907,532</u>	<u>29,907,532</u>	<u>315,209</u>
Expenditures/Expenses						
Instruction.....	16,962,598	—	16,962,598	16,390,000	17,000,000	(37,402)
Support services	7,896,825	—	7,896,825	8,288,500	8,288,500	(391,675)
Noninstructional programs	—	852,149	852,149	940,000	940,000	(87,851)
Other expenditures.....	4,701,444	—	4,701,444	5,055,426	5,055,426	(353,982)
Total Expenditures/ Expenses	<u>29,560,867</u>	<u>852,149</u>	<u>30,413,016</u>	<u>30,673,926</u>	<u>31,283,926</u>	<u>(870,910)</u>
Revenue Over (Under) Expenditures/Expenses	(251,297)	61,022	(190,275)	(766,394)	(1,376,394)	1,186,119
Other Financing Sources (Uses), Net	<u>49,949</u>	<u>(49,949)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Revenue and Other Financing Sources Over (Under) Expenditures/ Expenses and Other Financing Uses	(201,348)	11,073	(190,275)	(766,394)	(1,376,394)	<u>\$ 1,186,119</u>
Balance - Beginning of Year ...	10,769,546	332,467	11,102,013	9,989,624	9,989,624	
Balance - End of Year	<u>\$ 10,568,198</u>	<u>\$ 343,540</u>	<u>\$ 10,911,738</u>	<u>\$ 9,223,230</u>	<u>\$ 8,613,230</u>	

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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar and 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, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$610,000 in the instruction function.

During the year ended June 30, 2017, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Three Years*

	2017	2016	2015
District's proportion of the net pension liability	0.208675%	0.209416%	0.213979%
District's proportionate share of the net pension liability	\$13,132,584	\$10,411,022	\$8,659,898
District's covered-employee payroll.....	\$14,989,000	\$14,287,000	\$14,281,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	87.61%	72.87%	60.64%
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.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contributions	\$ 1,380,407	\$ 1,338,506	\$ 1,275,793	\$ 1,275,250	\$ 1,218,190	\$ 1,138,700	\$ 957,168	\$ 915,530	\$ 846,909	\$ 835,507
Contributions in relation to the statutorily required contributions	<u>(1,380,407)</u>	<u>(1,338,506)</u>	<u>(1,275,793)</u>	<u>(1,275,250)</u>	<u>(1,218,190)</u>	<u>(1,138,700)</u>	<u>(957,168)</u>	<u>(915,530)</u>	<u>(846,909)</u>	<u>(835,507)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
District's covered-employee payroll.....	\$ 15,458,000	\$ 14,989,000	\$ 14,287,000	\$ 14,281,000	\$ 14,051,000	\$ 14,128,000	\$ 13,772,000	\$ 13,767,000	\$ 13,337,000	\$ 13,810,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2017

Changes of Benefit Terms

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

In 2008, legislative action 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.

Schedule of Funding Progress for the Retiree Health Plan ---

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]
2009	7-1-08	\$ —	\$ 1,556,000	\$ 1,556,000	0%	\$ 11,073,000	14.1%
2010	7-1-08	—	1,556,000	1,556,000	0	12,555,000	12.4
2011	7-1-10	—	1,397,000	1,397,000	0	11,594,000	12.0
2012	7-1-10	—	1,397,000	1,397,000	0	11,902,000	11.7
2013	7-1-12	—	1,699,000	1,699,000	0	11,711,000	14.5
2014	7-1-12	—	1,699,000	1,699,000	0	11,587,000	14.7
2015	7-1-14	—	1,331,000	1,331,000	0	12,091,000	11.0
2016	7-1-14	—	1,331,000	1,331,000	0	10,325,000	12.9
2017	7-1-16	—	1,137,000	1,137,000	0	10,910,000	10.4

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2017

	<u>Special Revenue</u>			Total
	Student Activity	Management Levy	Public Edu- cation and Recreation Levy	
Assets				
Cash, cash equivalents and pooled investments	\$ 204,107	\$ 485,704	\$ 140,122	\$ 829,933
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	—	3,032	648	3,680
Succeeding year	—	435,000	67,322	502,322
Accounts	752	999	—	1,751
Due from other funds	505	—	—	505
Due from other governments	—	22	5	27
Prepaid items	385	—	—	385
Total Assets	<u>\$ 205,749</u>	<u>\$ 924,757</u>	<u>\$ 208,097</u>	<u>\$ 1,338,603</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 16,337	\$ —	\$ —	\$ 16,337
Due to other governments	2,802	3,884	—	6,686
Total Liabilities	<u>19,139</u>	<u>3,884</u>	<u>—</u>	<u>23,023</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax	—	435,000	67,322	502,322
Fund Balances				
Nonspendable				
Prepaid items	385	—	—	385
Restricted for				
Student activities	186,225	—	—	186,225
Management levy purposes	—	485,873	—	485,873
Public education and recreation	—	—	140,775	140,775
Total Fund Balances	<u>186,610</u>	<u>485,873</u>	<u>140,775</u>	<u>813,258</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 205,749</u>	<u>\$ 924,757</u>	<u>\$ 208,097</u>	<u>\$ 1,338,603</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue			Total
	Student Activity	Management Levy	Public Edu- cation and Recreation Levy	
Revenue				
Local Sources				
Local tax.....	\$ —	\$ 300,122	\$ 64,169	\$ 364,291
Other	302,689	35,744	—	338,433
State sources.....	—	6,514	1,392	7,906
Total Revenue.....	<u>302,689</u>	<u>342,380</u>	<u>65,561</u>	<u>710,630</u>
Expenditures				
Current				
Instruction				
Regular	—	205,113	—	205,113
Other	<u>298,174</u>	<u>—</u>	<u>—</u>	<u>298,174</u>
Total Instruction.....	<u>298,174</u>	<u>205,113</u>	<u>—</u>	<u>503,287</u>
Support Services				
Administration.....	127	10,813	—	10,940
Operation and maintenance of plant	14,365	224,967	—	239,332
Transportation	<u>—</u>	<u>12,343</u>	<u>—</u>	<u>12,343</u>
Total Support Services.....	<u>14,492</u>	<u>248,123</u>	<u>—</u>	<u>262,615</u>
Total Expenditures	<u>312,666</u>	<u>453,236</u>	<u>—</u>	<u>765,902</u>
Change in Fund Balances.....	(9,977)	(110,856)	65,561	(55,272)
Fund Balances - Beginning of Year....	<u>196,587</u>	<u>596,729</u>	<u>75,214</u>	<u>868,530</u>
Fund Balances - End of Year.....	<u>\$ 186,610</u>	<u>\$ 485,873</u>	<u>\$ 140,775</u>	<u>\$ 813,258</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2017

Account	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Activity Revenue.....	\$ 21,269	\$ 107,019	\$ —	\$ (94,128)	\$ 34,160
Band Uniforms.....	455	—	—	—	455
Cheerleading	17,138	6,968	7,719	—	16,387
Drill Team	9,882	4,060	2,967	—	10,975
Basketball.....	3,955	5,445	13,327	4,855	928
State-Sponsored Tournament	—	25,353	26,906	1,553	—
Football.....	3,301	11,143	36,446	25,955	3,953
Baseball.....	—	9,200	21,337	12,137	—
Boys Track.....	—	868	2,672	1,804	—
Boys Cross Country.....	—	—	569	569	—
Boys Soccer	—	321	3,093	2,772	—
Boys Tennis.....	575	3,447	4,416	394	—
Boys Golf	2,532	152	1,204	—	1,480
Boys Swimming	3,075	2,390	7,439	1,974	—
Wrestling.....	6,472	—	5,190	1	1,283
Girls Basketball.....	171	2,792	8,417	5,625	171
Volleyball	2,945	1,551	4,604	2,881	2,773
Softball.....	—	3,210	9,496	6,286	—
Girls Track	—	4,110	5,169	1,059	—
Girls Cross Country	2,757	—	569	—	2,188
Girls Soccer	—	321	2,925	2,604	—
Girls Tennis	1,574	3,215	3,690	—	1,099
Girls Golf.....	—	—	134	134	—
Girls Swimming.....	1,905	3,786	4,805	1	887
Athletic Miscellaneous	3,067	3,134	10,621	4,420	—
Lift-A-Thon Fund.....	84	—	—	—	84
Pride Club Fund.....	2,563	—	—	—	2,563
FCCLA.....	—	1,405	1,268	—	137
FFA.....	14,573	28,781	25,346	—	18,008
Foreign Language Club	5,976	3,023	3,618	—	5,381
Chess Club	159	—	—	—	159
Thespian Club	—	2,301	85	—	2,216
Peer Helpers.....	2,062	—	—	—	2,062
National Honor Society.....	586	1,450	1,208	—	828
Student Council	28,068	11,989	15,204	—	24,853
Student Congress.....	2,012	3,792	3,222	—	2,582

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2017

Account	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
SADD High School	\$ 229	\$ —	\$ —	\$ —	\$ 229
SADD Middle School	12	—	—	—	12
HS Year Book	9,715	2,195	535	—	11,375
Spotlight	200	—	75	—	125
Middle School Year Book	3,408	5,072	5,169	1	3,312
Drama	2,488	—	15,372	12,884	—
Speech	3,408	26	1,881	—	1,553
Prom	8,913	13,642	12,967	—	9,588
DECA	467	3,985	6,522	2,070	—
Construction	2,144	—	—	—	2,144
MS Art IA Soybean Assoc.	284	—	—	—	284
Futures	505	—	—	—	505
MS Vocal Music	9,530	—	4,761	—	4,769
MS Band	1,505	11,654	8,053	—	5,106
HS Instrumental Music	296	968	5,397	4,133	—
Orchestra	4,019	165	1,663	1	2,522
HS Vocal Music	81	7,676	7,771	14	—
MS Outdoor Working Lab	614	—	—	—	614
Tag Fundraising	5,694	—	891	1	4,804
TSA High School	2,785	3,415	4,534	—	1,666
TSA Middle School	3,134	2,665	3,409	—	2,390
	<u>\$ 196,587</u>	<u>\$ 302,689</u>	<u>\$ 312,666</u>	<u>\$ —</u>	<u>\$ 186,610</u>

Combining Balance Sheet - Capital Projects Fund Accounts

As of June 30, 2017

	<u>Capital Projects</u>			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Assets				
Cash, cash equivalents and pooled investments.....	\$ 4,045,458	\$ 768,241	\$ —	\$ 4,813,699
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	—	8,247	—	8,247
Succeeding year.....	—	861,411	—	861,411
Due from other governments.....	164,508	58	—	164,566
Total Assets	<u>\$ 4,209,966</u>	<u>\$ 1,637,957</u>	<u>\$ —</u>	<u>\$ 5,847,923</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ —</u>	<u>\$ 13,998</u>	<u>\$ —</u>	<u>\$ 13,998</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax	—	861,411	—	861,411
Fund Balances				
Restricted for				
Debt Service	1,187,013	—	—	1,187,013
School infrastructure	3,022,953	—	—	3,022,953
Physical plant and equipment	—	762,548	—	762,548
Total Fund Balances	<u>4,209,966</u>	<u>762,548</u>	<u>—</u>	<u>4,972,514</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,209,966</u>	<u>\$ 1,637,957</u>	<u>\$ —</u>	<u>\$ 5,847,923</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Fund Accounts

Year Ended June 30, 2017

	<u>Capital Projects</u>			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Revenue				
Local Sources				
Local tax.....	\$ —	\$ 822,528	\$ —	\$ 822,528
Other	3,929	61,074	453	65,456
State sources.....	<u>2,002,650</u>	<u>17,235</u>	<u>—</u>	<u>2,019,885</u>
Total Revenue	<u>2,006,579</u>	<u>900,837</u>	<u>453</u>	<u>2,907,869</u>
Expenditures				
Current				
Instruction				
Regular.....	<u>24,760</u>	<u>84,320</u>	<u>—</u>	<u>109,080</u>
Support Services				
Administration.....	—	105,298	—	105,298
Operation and maintenance of plant.....	<u>—</u>	<u>83,245</u>	<u>—</u>	<u>83,245</u>
Total Support Services	<u>—</u>	<u>188,543</u>	<u>—</u>	<u>188,543</u>
Other Expenditures				
Facilities acquisition.....	<u>581,599</u>	<u>417,818</u>	<u>660</u>	<u>1,000,077</u>
Total Expenditures	<u>606,359</u>	<u>690,681</u>	<u>660</u>	<u>1,297,700</u>
Revenue Over (Under)				
Expenditures	<u>1,400,220</u>	<u>210,156</u>	<u>(207)</u>	<u>1,610,169</u>
Other Financing Uses				
Transfers in.....	172	—	—	172
Transfers out	<u>(1,137,074)</u>	<u>—</u>	<u>(172)</u>	<u>(1,137,246)</u>
Total Other Financing Uses	<u>(1,136,902)</u>	<u>—</u>	<u>(172)</u>	<u>(1,137,074)</u>
Change in Fund Balances	263,318	210,156	(379)	473,095
Fund Balances - Beginning of Year	<u>3,946,648</u>	<u>552,392</u>	<u>379</u>	<u>4,499,419</u>
Fund Balances - End of Year	<u>\$ 4,209,966</u>	<u>\$ 762,548</u>	<u>\$ —</u>	<u>\$ 4,972,514</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund ————

Year Ended June 30, 2017

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
Assets				
Due from other governments.....	<u>\$ —</u>	<u>\$ 38,836</u>	<u>\$ —</u>	<u>\$ 38,836</u>
Liabilities				
Due to other governments.....	<u>\$ —</u>	<u>\$ 38,836</u>	<u>\$ —</u>	<u>\$ 38,836</u>

**Schedule of Revenue by Source and Expenditures by Function -
All Governmental Fund Types (Modified Accrual Basis)**

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue										
Local Sources										
Local tax.....	\$ 9,468,828	\$ 9,369,597	\$ 9,210,341	\$ 8,604,196	\$ 10,127,882	\$ 9,596,477	\$ 10,392,406	\$ 9,873,755	\$ 9,362,981	\$ 9,001,345
Tuition.....	885,431	881,852	1,067,145	982,042	1,038,871	1,111,715	1,237,200	1,267,917	1,874,517	1,835,631
Other.....	605,221	606,218	815,251	574,851	549,572	533,320	700,085	577,374	765,287	1,013,826
Intermediate sources.....	—	—	—	—	—	—	—	—	7,854	—
State sources.....	17,168,695	16,804,118	16,473,564	16,058,945	13,666,242	13,339,042	12,165,691	10,728,876	11,915,314	12,158,734
Federal sources.....	<u>1,181,395</u>	<u>1,032,755</u>	<u>855,529</u>	<u>917,228</u>	<u>905,325</u>	<u>1,189,553</u>	<u>1,514,165</u>	<u>1,915,190</u>	<u>915,172</u>	<u>606,531</u>
Total.....	<u>\$ 29,309,570</u>	<u>\$ 28,694,540</u>	<u>\$ 28,421,830</u>	<u>\$ 27,137,262</u>	<u>\$ 26,287,892</u>	<u>\$ 25,770,107</u>	<u>\$ 26,009,547</u>	<u>\$ 24,363,112</u>	<u>\$ 24,841,125</u>	<u>\$ 24,616,067</u>
Expenditures										
Instruction										
Regular.....	\$ 10,987,678	\$ 9,709,026	\$ 9,939,239	\$ 10,010,541	\$ 9,457,385	\$ 9,823,819	\$ 9,540,488	\$ 9,502,631	\$ 9,880,039	\$ 10,238,273
Special.....	4,763,946	5,138,435	4,880,120	4,825,084	4,502,564	4,409,852	4,405,512	4,050,504	3,936,127	3,723,582
Other.....	1,210,974	1,192,499	1,182,482	1,187,045	1,227,645	1,271,201	1,259,385	1,197,671	1,154,045	1,368,168
Support Services										
Student.....	1,103,856	1,042,600	933,646	846,598	808,652	797,286	678,451	694,099	676,150	773,552
Instructional staff.....	1,209,055	1,225,909	569,245	519,362	507,891	558,828	545,149	443,099	453,867	554,688
Administration.....	2,531,868	2,621,696	2,487,058	2,744,732	2,595,791	2,490,293	2,290,327	2,334,310	2,336,282	2,305,447
Operation and maintenance of plant.....	2,521,838	2,571,520	2,452,771	2,650,225	2,437,464	2,481,170	2,400,908	2,202,933	2,056,123	2,262,848
Transportation.....	530,208	713,018	510,498	536,850	644,072	567,965	670,145	551,206	481,531	556,578
Other Expenditures										
Facilities acquisition.....	1,000,077	1,842,508	6,388,668	9,513,826	5,465,643	963,873	2,044,080	6,223,372	735,377	429,108
Long-Term Debt										
Principal.....	1,733,000	3,668,000	1,410,000	1,400,000	1,650,000	940,000	790,000	5,545,000	755,000	725,000
Interest and other charges.....	1,093,135	1,176,788	1,182,015	1,211,815	1,157,791	784,980	831,644	633,442	457,960	481,030
AEA flowthrough.....	<u>875,232</u>	<u>887,540</u>	<u>889,274</u>	<u>861,617</u>	<u>820,628</u>	<u>789,158</u>	<u>848,939</u>	<u>839,131</u>	<u>774,946</u>	<u>758,746</u>
Total.....	<u>\$ 29,560,867</u>	<u>\$ 31,789,539</u>	<u>\$ 32,825,016</u>	<u>\$ 36,307,695</u>	<u>\$ 31,275,526</u>	<u>\$ 25,878,425</u>	<u>\$ 26,305,028</u>	<u>\$ 34,217,398</u>	<u>\$ 23,697,447</u>	<u>\$ 24,177,020</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Indirect				
U.S. Department of Agriculture				
Pass-Through From Iowa Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 17	\$ —	\$ 64,940
National School Lunch Program ..	10.555*	FY 17	—	408,509
Summer Food Service Program for Children.....	10.559	FY 17	—	<u>10,689</u>
Total U.S. Department of Agriculture			<u>—</u>	<u>484,138</u>
U.S. Department of Education				
Pass-Through From Heartland Area Education Agency				
Special Education - Grants to States.....	84.027	FY 17	—	<u>105,824</u>
Pass-Through From Iowa Department of Education				
Title I Grants to Local Educational Agencies	84.010	FY 17	—	<u>328,782</u>
Career and Technical Education - Basic Grants to States	84.048	FY 17	—	<u>9,946</u>
Improving Teacher Quality State Grants	84.367	FY 17	—	<u>80,517</u>
Grants for State Assessments and Related Activities	84.369	FY 17	—	<u>3,862</u>
Total Pass-Through From Iowa Department of Education			—	<u>423,107</u>
Total U.S. Department of Education			<u>—</u>	<u>528,931</u>
Total			<u>\$ —</u>	<u>\$ 1,013,069</u>

* Includes \$64,922 of noncash awards.

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Boone Community School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Boone Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Boone Community School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual or modified basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Boone Community School District has elected to use the 13.93% unrestricted indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

Boone Community School District provided no federal awards to subrecipients.

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

Board of Education
Boone Community School District
Boone, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 17-II-R-1 and 17-II-R-2 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part IV of the accompanying schedule of findings and questioned costs as items 17-IV-B and 17-IV-G.

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.

Boone Community School District's Responses to Findings

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

Purpose of This Report

The purpose of this report, a public record by law, is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 4, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Boone Community School District
Boone, Iowa

Report on Compliance for Each Major Federal Program

We have audited Boone Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Boone Community School District's major federal programs for the year ended June 30, 2017. Boone Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boone Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Boone Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Boone Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in Part III of the accompanying schedule of findings and questioned costs as item 17-III-C-1. Our opinion on each major federal program is not modified with respect to this matter.

Boone Community School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boone Community School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boone Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in Part III of the accompanying schedule of findings and questioned costs as items 17-III-R-1 and 17-III-R-2 that we consider to be material weaknesses.

Boone Community School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Boone Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance, a public record by law, is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 4, 2017

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) the Uniform Guidance? yes no

Identification of major programs:

CFDA Number or Cluster

Name of Federal Program

Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

Prior year deficiencies have not been resolved and have been repeated below as items 17-II-R-1 and 17-II-R-2.

17-II-R-1 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 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 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 statement.

Condition - Various duties that should be segregated for each transaction including authorization, custody and recording are not each properly performed by a different employee.

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

Potential 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.

Context - This is a pervasive issue throughout the District.

Identification of Repeat Findings - We found this condition still exists in the current year.

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

Views of Responsible Officials and Planned Corrective Action - We will monitor this situation and continue to segregate incompatible duties as much as possible.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

17-II-R-2 Inventory

Criteria - Management is responsible for establishing and maintaining proper procedures for the physical inventory count at year end and the reconciliation of that count to the financial statements.

Condition - Inventory values appear to have errors based on detail testing.

Cause - The District's inventory value spreadsheet was either incorrectly keyed or the inventory items were miscounted on some inventory items. The value of inventory items was also misapplied on some items.

Potential Effect - Inadequate record keeping of inventory balances and values adversely affect the District's valuation of inventory and, therefore, food supply expense, potentially leading to misstated financial statements.

Context - We tested ten inventory items for propriety of count and value and found count errors on six items and value errors on six items.

Identification of Repeat Findings - We found this condition still exists in the current year.

Auditor's Recommendation - We recommend that the District implement a policy to adequately count and reconcile food and commodity inventory at year end.

Views of Responsible Officials and Planned Corrective Action - Additional oversight and training will be provided during the inventory process. Department of Education inventory record documents will be utilized and completed in a timely manner

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

17-III-C-1 Child Nutrition Cluster - Verification (2017-003)

Criteria - The District is responsible for testing 3% of error-prone free and reduced student applications in order to comply with nutrition grant requirements.

Condition - The District tested more than the allowable 3% of applications.

Cause - The District relied on software to calculate the number of applications to test, and the software miscalculated, resulted in too many applications tested.

Potential Effect - The District could be considered to be in noncompliance with grant regulations if they do not follow grant guidelines.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Context - The District should have only tested three applications; we found they tested five applications.

Identification of Repeat Findings - We found this condition still exists in the current year.

Auditor's Recommendation - We recommend that the District clearly determine the requirements of testing and ensure only the proper number of applications are tested.

Views of Responsible Officials and Planned Corrective Action - There was an error in the nutrition software which selected too many accounts. We have switched to new software this year and will also manually verify the calculation.

Auditor's Conclusion - Response accepted.

Internal Control Deficiencies

A prior year deficiency has not been resolved and has been repeated below as item 17-III-R-1.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

17-III-R-1 Segregation of Duties - As previously identified in the fiscal year 2016 audit report as item (2017-001) 16-III-R-1, adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 17-II-R-1 for additional information.

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2017
U.S. Department of Agriculture
Passed through the Iowa Department of Education

17-III-R-2 Child Nutrition Cluster - Management's Override of Controls
(2017-002)

Criteria - The District is allowed a small grace period at the beginning of each year to assume that a student has the same lunch classification as the year before; however, the District is responsible for updating a student's lunch classification to free, reduced or paid as soon as a new application is received, including during the grace period.

Condition - The District received new applications for students during the grace period and properly updated their lunch classification, but then changed them back to their old classification at the direction of the Food Service Director until the grace period was over.

Cause - The Food Service Director used management override to circumvent the proper procedure for student lunch classification.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Potential Effect - The District could be considered to be in noncompliance with grant regulations if they do not follow grant guidelines. They could also potentially lose lunch revenue depending on the classification of the students affected.

Context - The District changed 28 students back to free from reduced or full pay after receiving updated applications to allow them to use the free status until the grace period expired.

Identification of Repeat Findings - Due to the timing of this condition, we found this condition still existed in the current year.

Auditor's Recommendation - We recommend that the District ensure that they are following grant regulations and not allow changes to be made that could put the District in violation of their contract.

Views of Responsible Officials and Planned Corrective Action - This was a misinterpretation of the federal guidelines and has already been corrected.

Auditor's Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting

17-IV-A Certified Budget - Expenditures for the year ended June 30, 2017 did not exceed the amount budgeted in any program function.

17-IV-B Questionable Expenditures

Finding - During testing, we found two expenditures that did not meet the definition of public purpose, per an Attorney General's opinion dated April 25, 1979. The potential effect of this is that the District is allowing District funds to be disbursed for unallowable purposes.

Auditor's Recommendation - We recommend that the District only allow disbursements for items that meet the definition of public purpose and are allowable purposes.

District's Response - We will comply with this recommendation.

Auditor's Conclusion - Response accepted.

17-IV-C 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.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

17-IV-E 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.

17-IV-F Board Minutes - No business transactions were found that we believe should have been approved in the Board minutes but were not.

17-IV-G Certified Enrollment

Finding - The following variances in the basic enrollment data certified to the Iowa Department of Education were noted:

- The District counted one student who did not attend the District prior to October 15, 2016.
- The District omitted one course that should have been included.

The errors resulted in the District over reporting by 1.0 students.

Auditor's Recommendation - The District should review procedures to ensure accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

District's Response - We will continue to follow procedures in place and respond to any errors as we become aware of them.

Auditor's Conclusion - Response accepted.

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

17-IV-I Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

17-IV-J Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

17-IV-K Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

17-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance 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		\$ 3,946,648
Revenue/Transfers In		
Sales tax revenue	\$ 2,002,650	
Other local revenue.....	3,929	
Transfers from High School construction.....	<u>172</u>	
Expenditures/Transfers Out		
School infrastructure construction and capital assets purchased	\$ (606,359)	
Transfer to debt service fund	<u>(1,137,074)</u>	<u>263,318</u>
Ending Balance		<u>\$ 4,209,966</u>

For the year ended June 30, 2017, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt Service Levy - Reduction From Prior Year	<u>\$ 0.56311</u>	<u>\$ 319,904</u>