

BEDFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 election)		
Tony Brown	President	2008
Mike Irvin	Vice President	2009
Ed Hensley	Board Member	2008
Layne Thornton	Board Member	2009
Jack Spencer	Board Member	2010
Board of Education (After September 2008 election)		
Mike Irvin	President	2009
Jack Spencer	Vice President	2011*
Roger Ritchie	Board Member	2011
Layne Thornton	Board Member	2009
Tony Brown	Board Member	2011
School Officials		
Joe Drake	Superintendent	2009
Sharon Hart	District Secretary/Treasurer	2009
Ahlers & Cooney, P.C.	Attorney	2009

*Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bedford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bedford Community School District, Bedford, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2010 on our consideration of Bedford Community School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bedford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,765,051 in fiscal 2008 to \$5,255,668 in fiscal 2009, while General Fund expenditures increased from \$4,740,541 in fiscal 2008 to \$5,150,845 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$238,389 in fiscal 2008 to a balance of \$333,934 in fiscal 2009, a 40.08% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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 Assets and a Statement of Activities. These provide information about the activities of Bedford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bedford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bedford Community School District acts solely as an agent or custodial for the benefit of those outside of the School 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Bedford Community School District Annual Financial Report

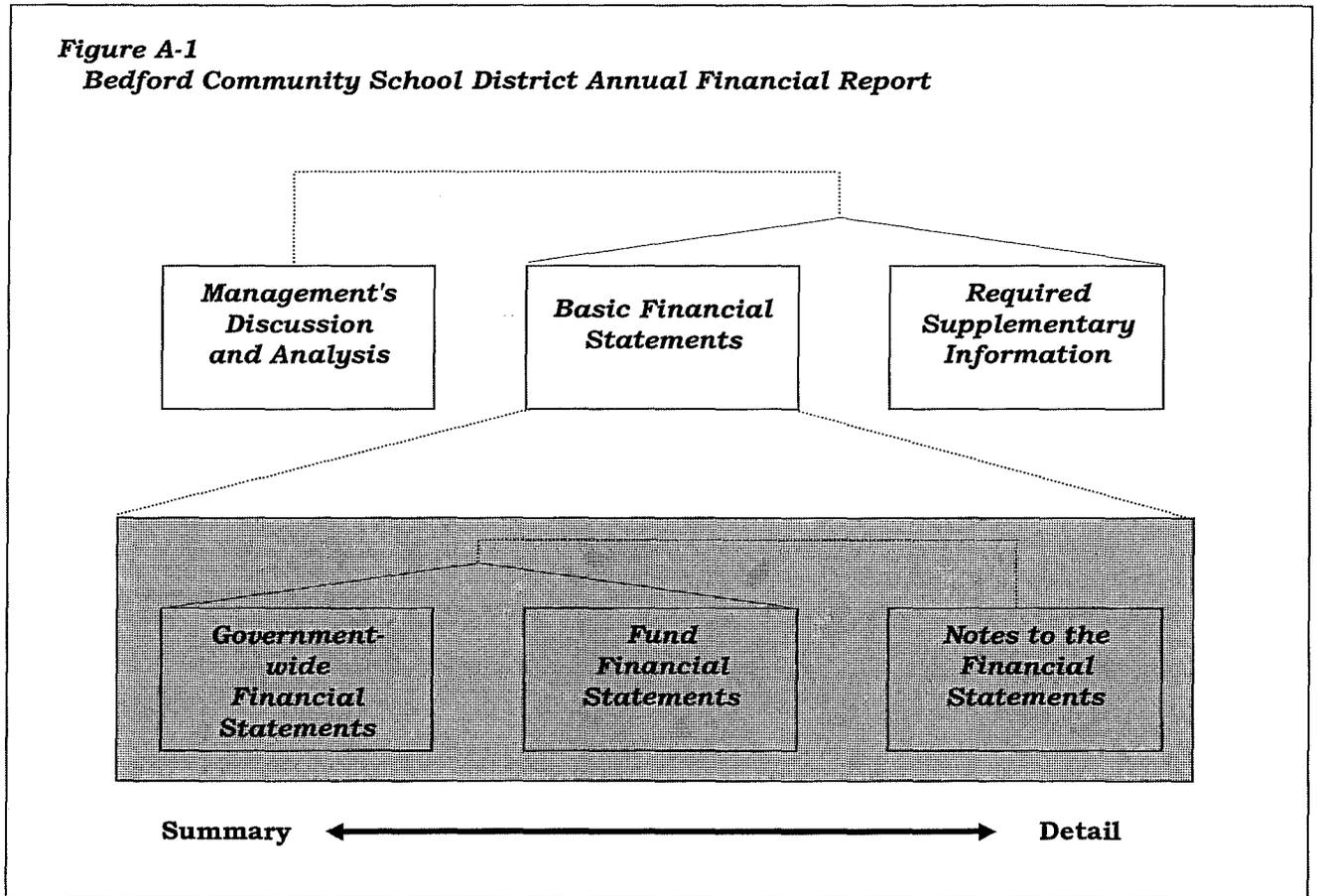


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets 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.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,145,312	4,004,746	42,310	22,583	4,187,622	4,027,329	3.98%
Capital assets	4,728,000	4,696,054	19,653	26,225	4,747,653	4,722,279	0.54%
Total assets	8,873,312	8,700,800	61,963	48,808	8,935,275	8,749,608	2.12%
Long-term obligations	575,000	835,000	0	0	575,000	835,000	-31.14%
Other liabilities	3,064,132	3,126,045	18,987	18,971	3,083,119	3,145,016	-1.97%
Total liabilities	3,639,132	3,961,045	18,987	18,971	3,658,119	3,980,016	-8.09%
Net assets:							
Invested in capital assets, net of related debt	4,153,000	3,861,054	19,653	26,225	4,172,653	3,887,279	7.34%
Restricted	621,650	537,077	0	0	621,650	537,077	15.75%
Unrestricted	459,530	341,624	23,323	3,612	482,853	345,236	39.86%
Total net assets	\$ 5,234,180	4,739,755	42,976	29,837	5,277,156	4,769,592	10.64%

The District's combined net assets increased by 10.64% or \$507,564 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$84,573 or 15.75% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$137,617 or 39.86%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 446,394	626,867	121,834	116,679	568,228	743,546	-23.58%
Operating grants and contributions and restricted interest	871,137	893,054	152,119	127,248	1,023,256	1,020,302	0.29%
Capital grants and contributions and restricted interest	119,198	23,244	0	0	119,198	23,244	412.81%
General revenues:							
Local tax	1,819,573	1,532,260	0	0	1,819,573	1,532,260	18.75%
Income surtax	186,160	143,953	0	0	186,160	143,953	29.32%
Statewide sales and service tax	204,641	157,755	0	0	204,641	157,755	29.72%
Unrestricted state grants	2,317,702	2,107,829	0	0	2,317,702	2,107,829	9.96%
Other	115,741	91,070	21	75	115,762	91,145	27.01%
Total revenues	6,080,546	5,576,032	273,974	244,002	6,354,520	5,820,034	9.18%
Program expenses:							
Governmental activities:							
Instructional	3,474,358	3,223,182	0	0	3,474,358	3,223,182	7.79%
Support services	1,749,477	1,615,308	1,086	1,332	1,750,563	1,616,640	8.28%
Non-instructional programs	0	0	259,749	253,740	259,749	253,740	2.37%
Other expenses	591,302	505,981	0	0	591,302	505,981	16.86%
Total expenses	5,815,137	5,344,471	260,835	255,072	6,075,972	5,599,543	8.51%
Changes in net assets before extraordinary items	265,409	231,561	13,139	(11,070)	278,548	220,491	26.33%
Extraordinary items:					0	0	
Reorganization settlement	229,016	0	0	0	229,016	0	100.00%
Change in net assets	494,425	231,561	13,139	(11,070)	507,564	220,491	130.20%
Net assets beginning of year	4,739,755	4,508,194	29,837	40,907	4,769,592	4,549,101	4.85%
Net assets end of year	\$ 5,234,180	4,739,755	42,976	29,837	5,277,156	4,769,592	10.64%

In fiscal 2009, local tax, income surtax, statewide sales and services tax and unrestricted state grants accounted for 74.47% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.99% of the revenue from business type activities.

The District's total revenues were \$6,354,520 of which \$6,080,546 was for governmental activities and \$273,974 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.18% increase in revenues and a 8.51% increase in expenses. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,080,546 and expenses were \$5,815,137. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 3,474,358	3,223,182	7.79%	2,358,544	1,872,473	25.96%
Support services	1,749,477	1,615,308	8.31%	1,745,868	1,612,635	8.26%
Other expenses	591,302	505,981	16.86%	273,996	316,198	-13.35%
Totals	<u>\$ 5,815,137</u>	<u>5,344,471</u>	<u>8.81%</u>	<u>4,378,408</u>	<u>3,801,306</u>	<u>15.18%</u>

- The cost financed by users of the District’s programs was \$446,394.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$990,335.
- The net cost of governmental activities was financed with \$1,819,573 in local tax, \$186,160 in income surtax, \$204,641 in statewide sales and service tax, \$2,317,702 in unrestricted state grants, \$32,007 in interest income, \$83,734 in other general.

Business Type Activities

Revenues of the District’s business type activities were \$273,974 and expenses were \$260,835. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$938,848, above last year’s ending fund balances of a \$758,415. The primary reason for the increase was due to the increase in the General Fund Fund balance.

Governmental Fund Highlights

- The District’s increase in General Fund financial position is the product of many factors. The increase in revenues was more than enough to offset the District’s increase in General Fund expenditures ensuring the increase of the District’s financial position.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$29,837 at June 30, 2008 to \$42,976 at June 30, 2009, representing a increase of 44.04%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$217,676 less than budgeted revenues, a variance of 3.33%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4.75 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of .54% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$271,351.

The original cost of the District's capital assets was \$8,384,947. Governmental funds account for \$8,264,890 with the remainder of \$120,057 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2008 compared to \$13,348 at June 30, 2009. This increase was the result of construction projects started but not completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 34,900	34,900	0	0	34,900	34,900	0.00%
Construction in progress	13,348	0	0	0	13,348	0	100.00%
Buildings	4,138,140	4,174,921	0	0	4,138,140	4,174,921	-0.88%
Land improvements	302,161	295,173	0	0	302,161	295,173	2.37%
Machinery and equipment	239,451	191,060	19,653	26,225	259,104	217,285	19.25%
Total	\$ 4,728,000	4,696,054	19,653	26,225	4,747,653	4,722,279	0.54%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$575,000 in general obligation and other long-term debt outstanding. This represents a decrease of 31.14% from last year. (See

Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$575,000 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total Change
	School District		
	June 30, 2009	2008	
General obligation bonds	\$ 575,000	755,000	-23.84%
Capital loan notes	0	80,000	-100.00%
Total	\$ 575,000	835,000	-31.14%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- The voters of Taylor County passed the Statewide Sales and Service Tax for School Infrastructure. This 1 cent tax on sales and service will greatly benefit the District in maintaining their building, purchasing equipment and paying long-term debt. Funding began in January 2005 and will continue until the revenue purpose statement is replaced or amended.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Hart, Board Secretary, Bedford Community School District, 906 Penn Street, Bedford, Iowa, 50833.

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 434,777	0	434,777
Other	1,348,826	33,415	1,382,241
Receivables:			
Property tax:			
Delinquent	28,435	0	28,435
Succeeding year	1,946,352	0	1,946,352
Income surtax	143,770	0	143,770
Accounts	29,052	83	29,135
Accrued ISCAP interest	3,794	0	3,794
Due from other governments	210,306	0	210,306
Inventories	0	8,812	8,812
Capital assets, net of accumulated depreciation	4,728,000	19,653	4,747,653
Total Assets	8,873,312	61,963	8,935,275
Liabilities			
Accounts payable	158,844	137	158,981
Salaries and benefits payable	447,914	16,202	464,116
ISCAP warrants payable	428,000	0	428,000
ISCAP interest payable	53	0	53
ISCAP unamortized premium	8,285	0	8,285
Interest payable	1,438	0	1,438
Deferred revenue:			
Succeeding year property tax	1,946,352	0	1,946,352
Other	26,647	0	26,647
Unearned revenue	0	2,648	2,648
Due to other governments	46,599	0	46,599
Long-term liabilities:			
Portion due within one year:			
Bonds payable	185,000	0	185,000
Portion due after one year:			
Bonds payable	390,000	0	390,000
Total Liabilities	3,639,132	18,987	3,658,119
Net Assets			
Invested in capital assets, net of related debt	4,153,000	19,653	4,172,653
Restricted for:			
Categorical funding	16,738	0	16,738
Debt service	29,392	0	29,392
Capital projects	314,003	0	314,003
Management levy	177,384	0	177,384
Physical plant and equipment levy	30,841	0	30,841
Other special revenue purposes	53,294	0	53,294
Unrestricted	459,528	23,323	482,851
Total Net Assets	\$ 5,234,180	42,976	5,277,156

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 1,811,522	156,603	642,102	0	(1,012,817)	0	(1,012,817)
Special	835,506	64,102	30,927	0	(740,477)	0	(740,477)
Other	827,330	222,080	0	0	(605,250)	0	(605,250)
	<u>3,474,358</u>	<u>442,785</u>	<u>673,029</u>	<u>0</u>	<u>(2,358,544)</u>	<u>0</u>	<u>(2,358,544)</u>
Support services:							
Student	142,692	0	0	0	(142,692)	0	(142,692)
Instructional staff	292,666	0	0	0	(292,666)	0	(292,666)
Administration	649,056	0	0	0	(649,056)	0	(649,056)
Operation and maintenance of plant	499,545	0	0	0	(499,545)	0	(499,545)
Transportation	165,518	3,609	0	0	(161,909)	0	(161,909)
	<u>1,749,477</u>	<u>3,609</u>	<u>0</u>	<u>0</u>	<u>(1,745,868)</u>	<u>0</u>	<u>(1,745,868)</u>
Other expenditures:							
Facilities acquisitions	160,037	0	0	119,198	(40,839)	0	(40,839)
Long-term debt interest	26,558	0	0	0	(26,558)	0	(26,558)
AEA flowthrough	198,108	0	198,108	0	0	0	0
Depreciation(unallocated)*	206,599	0	0	0	(206,599)	0	(206,599)
	<u>591,302</u>	<u>0</u>	<u>198,108</u>	<u>119,198</u>	<u>(273,996)</u>	<u>0</u>	<u>(273,996)</u>
Total governmental activities	5,815,137	446,394	871,137	119,198	(4,378,408)	0	(4,378,408)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	1,086	0	0	0	0	(1,086)	(1,086)
Non-instructional programs:							
Nutrition services	259,749	121,834	152,119	0	0	14,204	14,204
Total business-type activities	<u>260,835</u>	<u>121,834</u>	<u>152,119</u>	<u>0</u>	<u>0</u>	<u>13,118</u>	<u>13,118</u>
Total	<u>\$ 6,075,972</u>	<u>568,228</u>	<u>1,023,256</u>	<u>119,198</u>	<u>(4,378,408)</u>	<u>13,118</u>	<u>(4,365,290)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,696,568	0	1,696,568	
Capital outlay				70,717	0	70,717	
Debt service				52,288	0	52,288	
Income surtax				186,160	0	186,160	
Statewide sales and services tax				204,641	0	204,641	
Unrestricted state grants				2,317,702	0	2,317,702	
Unrestricted investment earnings				32,007	21	32,028	
Other				83,734	0	83,734	
Total general revenues				<u>4,643,817</u>	<u>21</u>	<u>4,643,838</u>	
Changes in net assets before extraordinary items				265,409	13,139	278,548	
Extraordinary items:							
Reorganization settlement				229,016	0	229,016	
Changes in net assets				494,425	13,139	507,564	
Net assets beginning of year				4,739,755	29,837	4,769,592	
Net assets end of year				<u>\$ 5,234,180</u>	<u>42,976</u>	<u>5,277,156</u>	

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Other Nonmajor Governmental		Total
	General	Funds	
Assets			
Cash and pooled investments:			
ISCAP	\$ 434,777	0	434,777
Other	852,701	496,125	1,348,826
Receivables:			
Property tax			
Delinquent	24,629	3,806	28,435
Succeeding year	1,704,762	241,590	1,946,352
Income surtax	143,770	0	143,770
Accounts	25,524	3,528	29,052
Accrued ISCAP interest	3,794	0	3,794
Due from other governments	58,852	151,454	210,306
Total Assets	\$ 3,248,809	896,503	4,145,312
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 110,701	48,143	158,844
Salaries and benefits payable	446,058	1,856	447,914
ISCAP warrants payable	428,000	0	428,000
ISCAP interest payable	53	0	53
ISCAP unamortized premium	8,285	0	8,285
Deferred revenue:			
Succeeding year property tax	1,704,762	241,590	1,946,352
Income surtax	143,770	0	143,770
Other	26,647	0	26,647
Due to other governments	46,599	0	46,599
Total liabilities	<u>2,914,875</u>	<u>291,589</u>	<u>3,206,464</u>
Fund balances:			
Reserved:			
Debt service	0	29,392	29,392
Categorical funding	16,738	0	16,738
Unreserved fund balance	317,196	575,522	892,718
Total fund balances	<u>333,934</u>	<u>604,914</u>	<u>938,848</u>
Total Liabilities and Fund Balances	\$ 3,248,809	896,503	4,145,312

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	938,848
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,728,000
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		143,770
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,438)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(575,000)</u>
Net assets of governmental activities (page 13)	\$	<u>5,234,180</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,741,323	447,752	2,189,075
Tuition	216,740	0	216,740
Other	121,471	231,133	352,604
State sources	2,924,898	119,198	3,044,096
Federal sources	251,236	0	251,236
Total revenues	<u>5,255,668</u>	<u>798,083</u>	<u>6,053,751</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,814,620	0	1,814,620
Special	835,506	0	835,506
Other	606,034	215,614	821,648
	<u>3,256,160</u>	<u>215,614</u>	<u>3,471,774</u>
Support services:			
Student	142,692	0	142,692
Instructional staff	292,182	0	292,182
Administration	617,651	29,193	646,844
Operation and maintenance of plant	427,329	65,497	492,826
Transportation	216,723	9,185	225,908
	<u>1,696,577</u>	<u>103,875</u>	<u>1,800,452</u>
Other expenditures:			
Facilities acquisitions	0	350,191	350,191
Long-term debt:			
Principal	0	260,000	260,000
Interest and fiscal charges	0	27,305	27,305
AEA flowthrough	198,108	0	198,108
	<u>198,108</u>	<u>637,496</u>	<u>835,604</u>
Total expenditures	<u>5,150,845</u>	<u>956,985</u>	<u>6,107,830</u>
Excess (deficiency) of revenues over (under) expenditures	104,823	(158,902)	(54,079)
Other financing sources (uses):			
Sale of equipment	5,498	0	5,498
Reorganization settlement	(14,776)	243,790	229,014
Transfers in	0	238,276	238,276
Transfers out	0	(238,276)	(238,276)
Total other financing sources (uses)	<u>(9,278)</u>	<u>243,790</u>	<u>234,512</u>
Net change in fund balances	95,545	84,888	180,433
Fund balance beginning of year	238,389	520,026	758,415
Fund balance end of year	<u>\$ 333,934</u>	<u>604,914</u>	<u>938,848</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds(page 17) \$ 180,433

***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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of capital assets for the current year, are as follows:

Expenditures for capital assets	\$ 294,141	
Depreciation expense	<u>(262,195)</u>	31,946

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 21,299

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 260,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 747

Changes in net assets of governmental activities(page 14) \$ 494,425

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 33,415
Accounts receivable	83
Inventories	8,812
Capital assets, net of accumulated depreciation	19,653
Total Assets	<u>61,963</u>
Liabilities	
Accounts payable	137
Salaries and benefits payable	16,202
Unearned revenue	2,648
Total Liabilities	<u>18,987</u>
Net Assets	
Invested in capital assets	19,653
Unrestricted	23,323
Total Net Assets	<u>\$ 42,976</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 121,834
TOTAL OPERATING REVENUES	121,834
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Services	1,086
Non-instructional programs:	
Food service operations:	
Salaries	95,465
Benefits	18,326
Services	138
Supplies	135,776
Depreciation	9,156
Other	888
	259,749
TOTAL OPERATING EXPENSES	260,835
OPERATING LOSS	(139,001)
NON-OPERATING REVENUES:	
State sources	3,304
Federal sources	148,815
Interest income	21
TOTAL NON-OPERATING REVENUES	152,140
Change in net assets	13,139
Net assets beginning of year	29,837
Net assets end of year	\$ 42,976

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 118,143
Cash received from miscellaneous	5,695
Cash payments to employees for services	(113,694)
Cash payments to suppliers for goods or services	(122,006)
Net cash used in operating activities	(111,862)
Cash flows from non-capital financing activities:	
State grants received	3,304
Federal grants received	131,521
Net cash provided by non-capital financing activities	134,825
Cash flows from capital financing activities:	
Acquisition of assets	(2,584)
Net cash used in capital financing activities	(2,584)
Cash flows from investing activities:	
Interest on investments	21
Net cash provided by investing activities	21
Net increase in cash and cash equivalents	20,400
Cash and cash equivalents at beginning of year	13,015
Cash and cash equivalents at end of year	\$ 33,415
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (139,001)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,294
Depreciation	9,156
Increase in inventories	(1,549)
Decrease in accounts receivable	2,222
Increase in accounts payable	137
Increase in salaries and benefits payable	97
Decrease in unearned revenue	(218)
Net cash used in operating activities	\$ (111,862)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$17,294.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 4,080	0
Due from other governments	0	35,763
Total Assets	4,080	35,763
Liabilities		
Excess of warrants issued over bank balance	0	35,763
Net Assets		
Unrestricted	\$ 4,080	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 96
Deductions:	
Scholarships	1,500
Change in net assets before extraordinary items	(1,404)
Extraordinary item:	
Reorganization settlement	1,657
Change in net assets	253
Net assets beginning of year	3,827
Net assets end of year	\$ 4,080

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies

The Bedford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bedford, Iowa, and the predominate agricultural territory in Taylor and Ringgold Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Bedford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bedford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's

nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

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

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

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.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009 expenditures were exceeded in the other expenditure area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 1,096,605</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue - Physical Plant and Equipment Levy	\$ 24,860
Debt Service	Capital Projects	<u>213,416</u>
Total		<u>\$ 238,276</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09A	6/26/08	6/25/09	0	3,740	0	0
2009-10A	6/25/09	6/23/10	\$ 434,777	54	428,000	53
Total			<u>\$ 434,777</u>	<u>3,794</u>	<u>428,000</u>	<u>53</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date

that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	\$ 0	300,000	300,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500%	0.902%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 34,900	0	0	34,900
Construction in progress	0	13,348	0	13,348
Total capital assets not being depreciated	34,900	13,348	0	48,248
Capital assets being depreciated:				
Buildings	6,188,180	136,050	0	6,324,230
Land improvements	648,999	40,756	0	689,755
Machinery and equipment	1,098,670	103,987	0	1,202,657
Total capital assets being depreciated	7,935,849	280,793	0	8,216,642
Less accumulated depreciation for:				
Buildings	2,013,259	172,831	0	2,186,090
Land improvements	353,826	33,768	0	387,594
Machinery and equipment	907,610	55,596	0	963,206
Total accumulated depreciation	3,274,695	262,195	0	3,536,890
Total capital assets being depreciated, net	4,661,154	18,598	0	4,679,752
Governmental activities capital assets, net	\$ 4,696,054	31,946	0	4,728,000

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 117,473	2,584	0	120,057
Less accumulated depreciation	91,248	9,156	0	100,404
Business-type activities capital assets, net	\$ 26,225	(6,572)	0	19,653

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 10,612
Other	5,682
Support services:	
Instructional staff	484
Administration	2,212
Operation and maintenance	9,219
Transportation	27,387
	55,596
Unallocated depreciation	206,599
Total governmental activities depreciation expense	\$ 262,195
Business-type activities:	
Food services	\$ 9,156

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 755,000	0	180,000	575,000	185,000
Capital loan notes	80,000	0	80,000	0	0
Total	\$ 835,000	0	260,000	575,000	185,000

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	3.00 %	\$ 185,000	17,250	202,250
2011	3.00	195,000	11,700	206,700
2012	3.00	195,000	5,850	200,850
Total		\$ 575,000	34,800	609,800

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$202,846, \$182,035 and \$171,369 respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$198,108 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
Teacher Mentoring	\$ 7,179
Market Factor	568
Preschool State Aid	2,626
Core Curriculum	5,740
Market Factor	625
Reserved for Categorical Funding	<u>\$ 16,738</u>

(11) Other Post-employment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

(12) Extraordinary Items/Reorganization Settlement

Effective, July 1, 2008 the New Market Community School District was closed. Due to the dissolution, the property of the District was divided between the Bedford, Clarinda, Villisca and Corning Community School Districts.

The breakout of New Market balances to other districts per the voted resolution of distribution is as follows:

School District	Percentage	Total Received
Bedford	50.00%	\$ 230,673
Clarinda	50.00%	230,673
	<u>100.00%</u>	<u>\$ 461,346</u>

Bedford Community School District recorded this revenue of \$229,016 as other financing sources on the fund financial statements and as extraordinary items on the government-wide Statement of Activities. The remaining \$1,657 was recorded in the Private Purpose Trust Scholarship Fund.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the other expenditure function exceeded the budgeted amount.

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,758,419	121,855	2,880,274	3,018,862	3,018,862	(138,588)
State sources	3,044,096	3,304	3,047,400	3,116,539	3,116,539	(69,139)
Federal sources	251,236	148,815	400,051	410,000	410,000	(9,949)
Total revenues	6,053,751	273,974	6,327,725	6,545,401	6,545,401	(217,676)
Expenditures/Expenses:						
Instruction	3,471,774	0	3,471,774	3,779,198	3,779,198	307,424
Support services	1,800,452	1,086	1,801,538	2,284,850	2,284,850	483,312
Non-instructional programs	0	259,749	259,749	350,000	350,000	90,251
Other expenditures	835,604	0	835,604	741,384	741,384	(94,220)
Total expenditures/expenses	6,107,830	260,835	6,368,665	7,155,432	7,155,432	786,767
Excess(deficiency) of revenues over(under) expenditures/expenses	(54,079)	13,139	(40,940)	(610,031)	(610,031)	569,091
Other financing sources, net	234,512	0	234,512	1,200	1,200	233,312
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	180,433	13,139	193,572	(608,831)	(608,831)	802,403
Balance beginning of year	758,415	29,837	788,252	775,849	775,849	12,403
Balance end of year	\$ 938,848	42,976	981,824	167,018	167,018	814,806

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Assets							
Cash and pooled investments	\$ 177,356	55,145	29,736	262,237	205,313	28,575	496,125
Receivables:							
Property tax:							
Current year delinquent	1,884	0	1,105	2,989	0	817	3,806
Succeeding year	120,500	0	71,115	191,615	0	49,975	241,590
Accounts	0	3,528	0	3,528	0	0	3,528
Due from other governments	0	0	0	0	151,454	0	151,454
Total Assets	\$ 299,740	58,673	101,956	460,369	356,767	79,367	896,503
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 0	5,379	0	5,379	42,764	0	48,143
Salaries and benefits payable	1,856	0	0	1,856	0	0	1,856
Deferred revenue:							
Succeeding year property tax	120,500	0	71,115	191,615	0	49,975	241,590
	122,356	5,379	71,115	198,850	42,764	49,975	291,589
Fund balances:							
Reserved:							
Debt Service	0	0	0	0	0	29,392	29,392
Unreserved	177,384	53,294	30,841	261,519	314,003	0	575,522
	177,384	53,294	30,841	261,519	314,003	29,392	604,914
Total Liabilities and Fund Balances	\$ 299,740	58,673	101,956	460,369	356,767	79,367	896,503

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 120,106	0	70,717	190,823	204,641	52,288	447,752
Other	12,281	214,732	819	227,832	2,897	404	231,133
State sources	0	0	0	0	119,198	0	119,198
TOTAL REVENUES	132,387	214,732	71,536	418,655	326,736	52,692	798,083
EXPENDITURES:							
Current:							
Instruction:							
Other	0	215,614	0	215,614	0	0	215,614
Support services:							
Administration	29,163	0	0	29,163	30	0	29,193
Operation and maintenance of plant	65,497	0	0	65,497	0	0	65,497
Transportation	9,185	0	0	9,185	0	0	9,185
Other expenditures:							
Facilities acquisition	0	0	113,486	113,486	236,705	0	350,191
Long-term debt:							
Principal	0	0	0	0	0	260,000	260,000
Interest and fiscal charges	0	0	0	0	0	27,305	27,305
TOTAL EXPENDITURES	103,845	215,614	113,486	432,945	236,735	287,305	956,985
Excess (deficiency) of revenues over (under) expenditures	28,542	(882)	(41,950)	(14,290)	90,001	(234,613)	(158,902)
OTHER FINANCING SOURCES (USES):							
Reorganization settlement	86,135	0	26,709	112,844	130,946	0	243,790
Transfers in	0	0	0	0	0	238,276	238,276
Transfers out	0	0	(24,860)	(24,860)	(213,416)	0	(238,276)
TOTAL OTHER FINANCING SOURCES (USES)	86,135	0	1,849	87,984	(82,470)	238,276	243,790
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	114,677	(882)	(40,101)	73,694	7,531	3,663	84,888
FUND BALANCES BEGINNING OF YEAR	62,707	54,176	70,942	187,825	306,472	25,729	520,026
FUND BALANCES END OF YEAR	\$ 177,384	53,294	30,841	261,519	314,003	29,392	604,914

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Athletics:				
Football	\$ 7,395	13,011	9,079	11,327
Volleyball	2,007	6,005	7,242	770
Basketball	10,443	13,153	14,797	8,799
Wrestling	(1,097)	6,153	7,188	(2,132)
Track	(5,391)	3,849	2,500	(4,042)
Softball	(3,487)	4,798	3,910	(2,599)
Baseball	(5,748)	8,379	7,373	(4,742)
Golf	0	5,075	4,200	875
Cross Country	0	0	605	(605)
	4,122	60,423	56,894	7,651
HS Clubs & Organizations:				
FFA	10,083	15,438	13,841	11,680
FCCLA	1,291	2,303	2,366	1,228
Iron Man Club	130	0	57	73
NHS	446	400	479	367
Student Council	845	6,543	7,092	296
SADOBS	1,188	721	988	921
Instrumental Club	(252)	1,839	2,313	(726)
Vocal	443	1,018	3,493	(2,032)
Swish and Spike Club	3,197	4,890	5,506	2,581
BPA	1,485	15,617	12,723	4,379
Yearbook	5,213	7,492	7,148	5,557
Bulldog Club	2,053	5,798	4,322	3,529
Cheerleaders	486	20,294	22,081	(1,301)
Art	855	111	147	819
Musical	1,061	3,657	4,717	1
Music Club	9	0	0	9
Class of 2008	48	0	0	48
Class of 2009	9,163	5,513	14,393	283
Class of 2010	874	21,223	15,676	6,421
Class of 2011	1,101	0	0	1,101
Class of 2012	1,153	0	22	1,131
Class of 2013	800	245	158	887
Class of 2014	400	400	0	800
Class of 2015	0	400	0	400
	42,072	113,902	117,522	38,452

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
MS Athletics:				
Volleyball	1,546	1,283	662	2,167
Basketball	1,265	1,266	1,278	1,253
Wrestling	736	439	125	1,050
Track	1,437	3,113	2,787	1,763
Softball	209	955	683	481
Baseball	516	995	1,339	172
Football	900	781	597	1,084
	<u>6,609</u>	<u>8,832</u>	<u>7,471</u>	<u>7,970</u>
MS Clubs & Organizations:				
Student Council	112	379	491	0
Magazine Sales	0	9,683	9,683	0
	<u>112</u>	<u>10,062</u>	<u>10,174</u>	<u>0</u>
Elementary Clubs & Organizations:				
PTK Club	226	0	0	226
K-8 Book Fair	0	5,558	5,045	513
Teachers	0	789	788	1
Student Council	600	3,363	3,404	559
Yearbook	(884)	88	0	(796)
	<u>(58)</u>	<u>9,798</u>	<u>9,237</u>	<u>503</u>
District-wide Accounts:				
Great Race	439	36	36	439
Activity Tickets	0	4,165	4,165	0
Interest	0	730	730	0
Field Trips	186	1,285	1,285	186
After Prom	84	4,020	4,020	84
Accruals	610	1,479	4,080	(1,991)
	<u>1,319</u>	<u>11,715</u>	<u>14,316</u>	<u>(1,282)</u>
Total	<u>\$ 54,176</u>	<u>214,732</u>	<u>215,614</u>	<u>53,294</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Due from other governments	\$ 15,756	45,351	25,344	35,763
Liabilities				
Excess of warrants issued over bank balance	\$ 15,756	45,351	25,344	35,763

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,189,075	1,818,678	1,944,692	1,924,607	1,916,676	1,715,835
Tuition	216,740	363,870	346,398	288,236	286,952	226,566
Other	352,602	385,081	323,980	265,122	223,187	255,583
Intermediate sources	0	0	0	0	0	13,842
State sources	3,044,096	2,785,092	2,449,830	2,434,906	2,448,145	2,387,939
Federal sources	251,236	208,021	213,966	215,985	276,921	202,782
Total	\$ 6,053,749	5,560,742	5,278,866	5,128,856	5,151,881	4,802,547
Expenditures:						
Instruction:						
Regular	\$ 1,814,620	1,815,059	1,714,689	1,742,618	1,685,586	1,827,291
Special	835,506	709,680	726,034	668,187	631,157	681,621
Other	821,648	780,242	714,355	692,015	699,544	461,861
Support services:						
Student	142,692	126,673	118,310	125,990	119,110	126,943
Instructional staff	292,182	228,841	163,211	154,620	145,669	66,160
Administration	646,844	609,434	576,913	541,728	470,936	516,767
Operation and maintenance of plant	492,826	461,171	437,604	419,410	473,976	362,397
Transportation	225,908	210,096	217,959	197,344	205,110	174,590
Other support	0	0	0	0	0	64,068
Other expenditures:						
Facilities acquisitions	350,191	243,782	155,833	189,443	86,976	56,448
Long-term debt:						
Principal	260,000	195,000	190,000	185,000	180,000	180,000
Interest and other charges	27,305	32,285	37,320	41,365	45,377	194,065
AEA flow-through	198,108	166,539	163,878	159,486	159,710	161,018
Total	\$ 6,107,830	5,578,802	5,216,106	5,117,206	4,903,151	4,873,229

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

To the Board of Education of the
Bedford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bedford Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bedford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bedford Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bedford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bedford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bedford Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bedford Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

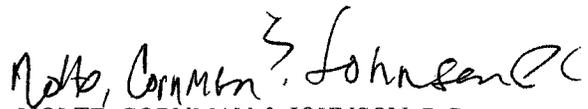
As part of obtaining reasonable assurance about whether Bedford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bedford Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bedford Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bedford Community School District and other parties to whom Bedford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2010

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District will continue to monitor control procedures to obtain the maximum internal control possible with the limited resources available.

Conclusion - Response accepted.

I-B-09 Employee Purchases from School Vendors- We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation- The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount paid must be documented and attached to the paid invoice as support for payment.

Response - Personal accounts will be set up with these vendors to correct the situation.

Conclusion - Response accepted.

I-C-09 Supporting Documentation for Payments to Vendors- We noted during the audit that payment for the magazine fundraiser in the Student Activity Fund was paid using the purchase order summary. Making payment using the PO is not appropriate and should be made using the invoice as the PO can differ from the final invoice.

Recommendation - The District should refrain from paying from purchase orders and pay only with original invoices.

Response - We will contact the vendor and request an invoice be sent before payment will be made.

Conclusion - Response accepted.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 exceeded the amount budgeted in the other expenditure functional area.

Recommendation - The budget should be amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements are allowed to exceed the budget. The use of a line item budget would be a good management tool to help control costs to ensure that the budget is not exceeded.

Response - In the future we will do better at monitoring the budget and amend it if necessary.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 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. However, we noted that a travel expense for a meal was paid without a detailed receipt.

Recommendation- The District should have detailed receipts to document all travel expense payments.

Response -We will make sure to obtain detailed receipts for claims in the future.

Conclusion - Response accepted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tony Brown, Board Member Manager of Hy-Vee	Supplies	\$42,934
Eddie Hensley, Board Member Owner of Perfection Plus	Repairs	\$1,084
Donnie Weed, Teacher Owner of Bulldogs & Pink Frogs	Statues	\$85
Kay Goodridge, Para-educator Distributor for Home Interior	Candles	\$3,057
Cheryl Johnston, Secretary Personal services	Sewing	\$8
Donna Walston, Bus Driver Personal services	Baked cakes	\$18
Lorna Bucher, Teacher Owner of Godfathers Pizza	Concessions	\$1,075

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Eddie Hensley do not appear to represent a conflict of interest and the above transactions with Tony Brown do not appear to represent a conflict of interest based on a legal opinion the District received.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Donnie Weed, Kay Goodridge, Cheryl Johnston, Donna Walston and Lorna Bucher do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board, however we noted that Board minutes were not published timely.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The board secretary fell ill and was unable to publish the minutes within the set time frame. It is the District's goal to meet publishing deadlines, but sometimes there are circumstances beyond our control. We will publish minutes as required by law in the future.

Conclusion - Response accepted.

II-G-09 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-09 Student Activity Fund - We noted during our audit that the Student Activity Fund included ten deficit account balances at June 30, 2009 totaling \$20,966.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods and services from these accounts. The District should investigate alternatives to eliminate the deficit balances.

Response - We will monitor the situation and try to reduce the number of deficit accounts.

Conclusion - Response accepted.

II-K-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and service tax revenue		204,641
Expenditures/transfers out:		
Debt service for school infrastructure		
General obligation debt		204,641
Ending Balance	<u>\$</u>	<u>0</u>

Levies reduced as a result of statewide sales and services tax received:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 1.48274	\$ 204,641