

**Ballard Community School District  
Huxley, Iowa**

Financial Report  
Year Ended June 30, 2012



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**Ballard Community School District**

**Officials**

**Year Ended June 30, 2012**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
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**Board of Education**

David Jackson	President	2013
Jean Saveraid	Vice President	2013
Tim Erickson	Board Member	2015
Joyce Peterson	Board Member	2015
Kirk Peterson	Board Member	2015

**School Officials**

John Speer	Superintendent	2012
Dallas Rust	Director of Curriculum	2013
Janice Halverson	Business Manager	2013
Kyra Conley	Director of Special Programs	2013
Dave McGill	Director of Technology	2013
Doug Schroeder	Director of Buildings & Grounds	2013
Tom Sharpnack	Director of Transportation	2013

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that 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 Ballard Community School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013 on our consideration of the Ballard Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 12 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements and other schedules listed in the table of contents as well as the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget A-133, Audits of States, Local Governments and Nonprofit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, for fiscal year 2012, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The fiscal year 2012 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, fiscal year 2012 combining statements and other schedules and accompanying schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2012 taken as a whole. The District's financial statements for the years ended June 30, 2004 through 2011, which are not presented in the accompanying financial statements, were audited by other auditors, whose report thereon dated March 20, 2012, expressed unqualified opinions on the financial statements. Their report on the Schedule of Revenues By Source and Expenditures By Function for the years ended June 30, 2004 through 2011 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2004 through 2011 taken as a whole.

*Bohnsack & Frommelt LLP*

Overland Park, Kansas  
February 8, 2013

## **Ballard Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2012**

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Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

#### **2011-12 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$13,830,844 in fiscal year 2011 to \$14,748,320 in fiscal year 2012 which represents a 6.6 percent increase.
- General Fund expenditures increased from \$13,103,275 in fiscal year 2011 to \$14,898,353 in fiscal year 2012 which represents a 13.7 percent increase.
- As of June 30, 2012, the District's governmental funds reported combined ending fund balances of \$3,952,848, a decrease of \$2,722,884 in comparison with 2011. Of the total combined fund balance, \$118,817 represents unassigned fund balance. As of June 30, 2011, the District's governmental funds reported combined ending fund balances of \$6,675,732, a decrease of \$6,375,363 in comparison with 2010. Of the total combined fund balance for fiscal year 2011, \$445,664 represented unassigned fund balance.
- The District showed an increase in net assets of \$2,288,362 during the year ended June 30, 2012.

#### **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 Ballard Community School District as a whole and present an overall view of the District's finances.
- The fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Ballard's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ballard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other supplementary information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

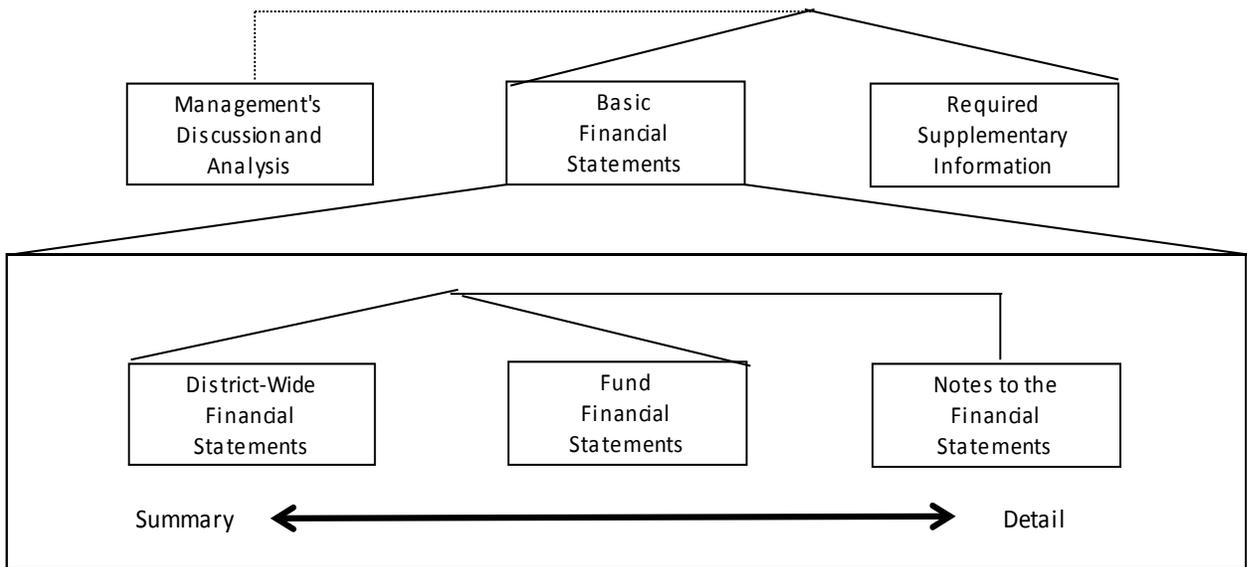
**Ballard Community School District**

**Management's Discussion and Analysis  
Year Ended June 30, 2012**

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

Figure A-1  
Ballard Community School District Annual Financial Report



# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2012

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.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
Government-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in net assets  Statement of cash flows	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 the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2012

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### 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 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

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

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

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

#### Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2011-12 were the General Fund, Capital Projects Fund, and Debt Service Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activities Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2012

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, which is used to account for the District's self-funded health insurance plan.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets as of June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011-12
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	
Current and other assets	\$ 16,172,997	\$ 12,001,448	\$ 96,876	\$ 86,311	\$ 16,269,873	\$ 12,087,759	-25.7%
Capital assets	34,185,134	37,963,057	22,149	16,518	34,207,283	37,979,575	11.0%
<b>Total assets</b>	<b>50,358,131</b>	<b>49,964,505</b>	<b>119,025</b>	<b>102,829</b>	<b>50,477,156</b>	<b>50,067,334</b>	<b>-0.8%</b>
Current liabilities	9,657,305	8,043,653	-	13,185	9,657,305	8,056,838	-16.6%
Non-current liabilities	27,719,934	26,622,217	-	-	27,719,934	26,622,217	-4.0%
<b>Total liabilities</b>	<b>37,377,239</b>	<b>34,665,870</b>	<b>-</b>	<b>13,185</b>	<b>37,377,239</b>	<b>34,679,055</b>	<b>-7.2%</b>
Net assets:							
Invested in capital assets, net of related debt	6,715,134	12,720,502	22,149	16,518	6,737,283	12,737,020	89.1%
Restricted	6,128,565	2,726,611	-	350	6,128,565	2,726,961	-55.5%
Unrestricted	137,193	(148,478)	96,876	72,776	234,069	(75,702)	-132.3%
<b>Total net assets</b>	<b>\$ 12,980,892</b>	<b>\$ 15,298,635</b>	<b>\$ 119,025</b>	<b>\$ 89,644</b>	<b>\$ 13,099,917</b>	<b>\$ 15,388,279</b>	<b>17.5%</b>

The District's combined net assets as of June 30, 2012 grew by \$2,288,362 (17.5 percent) over the June 30, 2011 combined net assets. Net assets in the governmental activities grew by \$2,317,743 (17.9 percent). The net assets of the District's business-type activities decreased by \$29,381 (24.7 percent).

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2012

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$3,402,604 or 55.5 percent from the prior year.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by \$309,771 or 132 percent.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes in Net Assets From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011-12
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 945,521	\$ 948,888	\$ 458,735	\$ 497,114	\$ 1,404,256	\$ 1,446,002	3.0%
Operating grants and contributions	2,762,307	3,005,300	243,198	243,072	3,005,505	3,248,372	8.1%
Capital grants and contributions	-	-	-	-	-	-	0.0%
General revenues:							
Property taxes	5,495,260	5,563,789	-	-	5,495,260	5,563,789	1.2%
Income tax surcharge	141,753	145,148	-	-	141,753	145,148	
State foundation aid	6,931,424	7,613,460	-	-	6,931,424	7,613,460	9.8%
Statewide sales and services tax	1,481,350	1,887,843	-	-	1,481,350	1,887,843	27.4%
Other	10,185	47,600	-	53	10,185	47,653	367.9%
<b>Total revenues</b>	<b>17,767,800</b>	<b>19,212,028</b>	<b>701,933</b>	<b>740,239</b>	<b>18,469,733</b>	<b>19,952,267</b>	<b>8.0%</b>
<b>Expenses:</b>							
Instruction	9,205,042	10,275,776	-	-	9,205,042	10,275,776	11.6%
Support services	4,082,153	4,125,692	-	-	4,082,153	4,125,692	1.1%
Noninstructional programs	-	-	680,152	769,620	680,152	769,620	13.2%
Other	2,460,455	2,492,817	-	-	2,460,455	2,492,817	1.3%
<b>Total expenses</b>	<b>15,747,650</b>	<b>16,894,285</b>	<b>680,152</b>	<b>769,620</b>	<b>16,427,802</b>	<b>17,663,905</b>	<b>7.5%</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 2,020,150</b>	<b>\$ 2,317,743</b>	<b>\$ 21,781</b>	<b>\$ (29,381)</b>	<b>\$ 2,041,931</b>	<b>\$ 2,288,362</b>	<b>12.1%</b>

In 2011-12, local taxes (property taxes and statewide sales and services tax) and state foundation aid accounted for 78.4 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

In 2010-11, local taxes (property taxes and statewide sales and services tax) and state foundation aid accounted for 78.3 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 100 percent of the revenue from business-type activities.

The District's expenses primarily relate to instruction and support services which account for 81.5 percent of the total expenses.

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2012

### Governmental Activities

Total revenue for the District's governmental activities increased by \$1,444,228 (8.1 percent) in the fiscal year ended June 30, 2012. The most significant revenue category change was in statewide sales and services tax. The statewide sales and services tax increased \$406,493 or 27.4% primarily due to this being the first year of the tax being allocated on a statewide basis. Operating grants and contributions increased \$242,993 or 8.8 percent due to increases in student activities contributions due to the new facilities and increases in grant awards due to the Education Jobs Bill program.

Total District governmental activities expenses increased by \$1,146,635 (7.3 percent), mainly attributable to increased expenses in instruction. The increase is primarily due to opening the new high school building during the current year which increased personnel and operating costs since the high school was formerly combined with the middle school location.

Figure A-5 presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	June 30, 2011	June 30, 2012	Change	June 30, 2011	June 30, 2012	Change
Instruction	\$ 9,205,042	\$ 10,275,776	11.63%	\$ 6,194,760	\$ 6,864,733	10.8%
Support services	4,082,153	4,125,692	1.07%	4,024,573	4,124,375	2.5%
Other	2,460,455	2,492,817	1.32%	1,820,489	1,950,989	7.2%
<b>Total</b>	<b>\$ 15,747,650</b>	<b>\$ 16,894,285</b>	<b>7.28%</b>	<b>\$ 12,039,822</b>	<b>\$ 12,940,097</b>	<b>7.5%</b>

For the year ended June 30, 2012:

- The cost financed by the users of the District's programs was \$948,888.
- Federal and state government subsidized certain programs with grants and contributions totaling \$3,005,300.
- The net cost of governmental activities was financed with \$5,563,789 in property taxes, \$7,613,460 of unrestricted state grants, \$1,887,843 of statewide sales and services tax, \$145,148 of income surtax, and \$47,600 miscellaneous revenues.

For the year ended June 30, 2011:

- The cost financed by the users of the District's programs was \$945,521.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$2,762,307.
- The net cost of governmental activities was financed with \$5,495,260 in property taxes, \$6,931,424 of unrestricted state grants, \$1,481,350 in statewide sales and services tax revenue, \$141,753 of income surtax, and \$10,185 of miscellaneous revenues.

## Ballard Community School District

### Management's Discussion and Analysis Year Ended June 30, 2012

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#### Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2011-12 were \$740,239, an increase of \$38,306 from 2010-11. Expenses were \$769,620, an increase of \$89,468 from 2010-11. Revenues of these activities were comprised of charges for service, federal and state sources, and interest.

#### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,952,848 which reflects a decrease of \$2,722,884 from last year's ending fund balances of \$6,675,732. The primary reason for the decrease in combined fund balances at the end of fiscal 2012 is due to the construction of the new high school building.

#### Governmental Fund Highlights

- The fund balance in the District's General Fund decreased by \$147,430 from \$763,150 as of June 30, 2011 to \$615,720 as of June 30, 2012. The General Fund experienced an increase in state and federal revenues of \$764,954 offset by an increase of \$905,229 in instruction costs and \$921,817 in support services expenditures.
- In the Capital Projects Fund, the statewide sale, service and use tax generated \$336,468 more in revenue in 2011-12 than in the previous fiscal year. Total expenditures were \$4,045,160 in 2011-12 compared to \$14,443,989 in 2010-11. The majority of the expenditures in the prior year related to the construction of the new high school building. The Capital Projects Fund ending fund balance as of June 30, 2012 was \$2,714,801.
- The Debt Service Fund had a decrease of \$1,115 in ending fund balance from \$109,692 in 2010-2011 to \$108,577 in fiscal year 2011-2012.

#### Proprietary Fund Highlights

The District's School Nutrition Fund net assets decreased \$29,381 to \$89,644 as of June 30, 2012. The District has continued to its agreement with Taher, Inc. to manage the nutrition program.

#### BUDGETARY HIGHLIGHTS

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

In accordance with the Code of Iowa, the Board of Education annual adopts a budget following required public notice and hearing for all funds, except internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. Over the course of the year, the District amended its certified budget one time. The most significant reason for the amended budget showing \$1,898,582 more in expenditures than the original certified budget for the 2011-12 fiscal year was costs associated with the new school building.

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

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2012

The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The District did not exceed its budget in any of the four functions nor did it exceed its unspent authorized budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

By the end of the 2011-12 fiscal year, the District had invested \$37,979,575 (net of accumulated depreciation of \$9,421,824) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-6). This amount represents a net increase of \$3,772,292 or 11 percent from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$899,858.

Figure A-6 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011-12
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	
Land	\$ 791,512	\$ 791,512	\$ -	\$ -	\$ 791,512	\$ 791,512	0.0%
Buildings	9,520,999	34,779,575	-	-	9,520,999	34,779,575	265.3%
Improvements other than buildings	544,544	481,664	-	-	544,544	481,664	-11.5%
Furniture and equipment	945,684	1,502,419	22,149	16,518	967,833	1,518,937	56.9%
Construction in progress	22,382,395	407,887	-	-	22,382,395	407,887	-98.2%
<b>Total</b>	<b>\$ 34,185,134</b>	<b>\$ 37,963,057</b>	<b>\$ 22,149</b>	<b>\$ 16,518</b>	<b>\$ 34,207,283</b>	<b>\$ 37,979,575</b>	<b>11.0%</b>

#### Long-Term Liabilities

As of June 30, 2012, the District had over \$26 million in general obligation bonds, revenue bonds, and other long-term debt outstanding. This represents a decrease of approximately 4% from last year (see figure A-7). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011-12
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	
Early retirement	\$ 249,934	\$ 195,018	\$ -	\$ -	\$ 249,934	\$ 195,018	-22.0%
Compensated absences	-	39,000	-	-	-	39,000	0.0%
Net OPEB liability	-	(31,801)	-	-	-	(31,801)	0.0%
General obligation bonds	13,770,000	13,230,000	-	-	13,770,000	13,230,000	-3.9%
Capital loan notes	1,400,000	1,550,000	-	-	1,400,000	1,550,000	10.7%
Revenue bonds	12,300,000	11,640,000	-	-	12,300,000	11,640,000	-5.4%
<b>Total</b>	<b>\$ 27,719,934</b>	<b>\$ 26,622,217</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,719,934</b>	<b>\$ 26,622,217</b>	<b>-4.0%</b>

## **Ballard Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2012**

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#### **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:

- An increase of approximately 14% in General Fund expenditures from FY11 to FY12, the overwhelming majority of which was attributed to recurring costs in salaries, benefits, and supplies, places the District's financial health in jeopardy.
- The FY13 projected General Fund Budget of approximately \$15.4 million will need to be reduced by 5% or more in FY14 to prevent the District from exceeding maximum spending authority in that fiscal year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Jan Halverson, District Secretary, Ballard Community School District, 509 N Main, PO Box 307, Huxley, IA 50124.

## Ballard Community School District

### Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,493,851	\$ 28,521	\$ 3,522,372
Restricted cash and investments	2,106,371	-	2,106,371
Receivables:			
Property tax:			
Current year	39,296	-	39,296
Succeeding year	5,699,941	-	5,699,941
Income tax surcharge	141,083	-	141,083
Accounts	483,924	50,638	534,562
Other	36,982	-	36,982
Inventories	-	4,368	4,368
Prepaid expenses	-	2,784	2,784
Capital assets:			
Nondepreciable	1,199,399	-	1,199,399
Depreciable, net	36,763,658	16,518	36,780,176
<b>Total assets</b>	<b>49,964,505</b>	<b>102,829</b>	<b>50,067,334</b>
<b>Liabilities</b>			
Accounts payable	583,194	-	583,194
Salaries and benefits payable	1,461,120	-	1,461,120
Accrued interest payable	298,389	-	298,389
Claims incurred but not reported	1,009	-	1,009
Unearned revenue:			
Succeeding year property tax	5,699,941	-	5,699,941
Other	-	13,185	13,185
Long-term liabilities:			
Portion due within one year:			
Early retirement	104,607	-	104,607
Compensated absences	39,000	-	39,000
General obligation bonds	565,000	-	565,000
Capital loan notes	300,000	-	300,000
Revenue bonds	675,000	-	675,000
Portion due after one year:			
Early retirement	90,411	-	90,411
General obligation bonds	12,665,000	-	12,665,000
Capital loan notes	1,250,000	-	1,250,000
Revenue bonds	10,965,000	-	10,965,000
Net OPEB liability (asset)	(31,801)	-	(31,801)
<b>Total liabilities</b>	<b>34,665,870</b>	<b>13,185</b>	<b>34,679,055</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	12,720,502	16,518	12,737,020
Restricted for:			
Categorical funding	496,903	-	496,903
Management levy	299,813	-	299,813
Physical plant and equipment levy	506,389	-	506,389
Student activities	213,937	-	213,937
School infrastructure	1,100,992	-	1,100,992
Debt service	108,577	-	108,577
Other	-	350	350
Unrestricted	(148,478)	72,776	(75,702)
<b>Total net assets</b>	<b>\$ 15,298,635</b>	<b>\$ 89,644</b>	<b>\$ 15,388,279</b>

See Notes to Financial Statements.

# Ballard Community School District

## Statement of Activities Year Ended June 30, 2012

Functions/Programs	Expenses
Governmental activities:	
Instruction	\$ 10,275,776
Support services:	
Student services	452,895
Instructional staff services	567,139
Administration services	1,784,849
Operation and maintenance of plant services	566,164
Transportation services	754,645
	<u>4,125,692</u>
Other expenditures:	
Interest on long-term debt	1,056,762
AEA flowthrough	541,828
Depreciation (unallocated) *	894,227
	<u>2,492,817</u>
Total governmental activities	<u>16,894,285</u>
Business Type Activities:	
Noninstructional programs, Nutrition services	<u>769,620</u>
Total	<u>\$ 17,663,905</u>
General revenues:	
Property tax levied for:	
General purposes	
Management	
Capital outlay	
Debt Service	
Income surtax	
Statewide sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings	
Gain on sale of capital assets	
Total general revenues	
Change in net assets	
Net assets, beginning of year	
Net assets, end of year	

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

See Notes to Financial Statements.

Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
\$ 947,571	\$ 2,463,472	\$ -	\$ (6,864,733)	\$ -	\$ (6,864,733)
-	-	-	(452,895)	-	(452,895)
-	-	-	(567,139)	-	(567,139)
-	-	-	(1,784,849)	-	(1,784,849)
-	-	-	(566,164)	-	(566,164)
1,317	-	-	(753,328)	-	(753,328)
1,317	-	-	(4,124,375)	-	(4,124,375)
-	-	-	(1,056,762)	-	(1,056,762)
-	541,828	-	-	-	-
-	-	-	(894,227)	-	(894,227)
-	541,828	-	(1,950,989)	-	(1,950,989)
948,888	3,005,300	-	(12,940,097)	-	(12,940,097)
497,114	243,072	-	-	(29,434)	(29,434)
\$ 1,446,002	\$ 3,248,372	\$ -	\$ (12,940,097)	\$ (29,434)	\$ (12,969,531)
			3,799,698	-	3,799,698
			340,845	-	340,845
			362,514	-	362,514
			1,060,732	-	1,060,732
			145,148	-	145,148
			1,887,843	-	1,887,843
			7,613,460	-	7,613,460
			15,056	53	15,109
			32,544	-	32,544
			15,257,840	53	15,257,893
			2,317,743	(29,381)	2,288,362
			12,980,892	119,025	13,099,917
			\$ 15,298,635	\$ 89,644	\$ 15,388,279

## Ballard Community School District

### Balance Sheet Governmental Funds June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,996,506	\$ 800,467	\$ 101,406	\$ 502,235	\$ 3,400,614
Restricted cash and investments	-	2,106,371	-	-	2,106,371
Receivables:					
Property tax:					
Current year	27,269	2,440	7,141	2,446	39,296
Succeeding year	3,904,289	375,036	1,070,617	349,999	5,699,941
Income surcharge tax	-	141,083	-	-	141,083
Accounts	140,646	334,209	-	9,069	483,924
Other	36,942	10	30	-	36,982
<b>Total assets</b>	<b>\$ 6,105,652</b>	<b>\$ 3,759,616</b>	<b>\$ 1,179,194</b>	<b>\$ 863,749</b>	<b>\$ 11,908,211</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 124,523	\$ 458,671	\$ -	\$ -	\$ 583,194
Salaries and benefits payable	1,461,120	-	-	-	1,461,120
Deferred revenue:					
Succeeding year property tax	3,904,289	375,036	1,070,617	349,999	5,699,941
Income surcharge tax	-	141,083	-	-	141,083
Other	-	70,025	-	-	70,025
<b>Total liabilities</b>	<b>5,489,932</b>	<b>1,044,815</b>	<b>1,070,617</b>	<b>349,999</b>	<b>7,955,363</b>
Fund balances:					
Restricted for:					
Categorical funding	496,903	-	-	-	496,903
Management levy	-	-	-	299,813	299,813
Physical plant and equipment levy	-	506,389	-	-	506,389
Student activities	-	-	-	213,937	213,937
School infrastructure	-	2,208,412	-	-	2,208,412
Debt service	-	-	108,577	-	108,577
Unassigned	118,817	-	-	-	118,817
<b>Total fund balances</b>	<b>615,720</b>	<b>2,714,801</b>	<b>108,577</b>	<b>513,750</b>	<b>3,952,848</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,105,652</b>	<b>\$ 3,759,616</b>	<b>\$ 1,179,194</b>	<b>\$ 863,749</b>	<b>\$ 11,908,211</b>

**Ballard Community School District**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets  
June 30, 2012**

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Total fund balances of governmental funds \$ 3,952,848

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

Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds:

Income surtax	141,083	
Sales tax	70,025	211,108

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds. 37,963,057

The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net assets of the Internal Service Fund are therefore included under governmental activities. 92,228

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. (298,389)

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds.

Compensated absences	(39,000)	
Early retirement	(195,018)	
Capital loan notes	(1,550,000)	
General obligation bonds	(13,230,000)	
Revenue bonds	(11,640,000)	
Net OPEB asset	31,801	(26,622,217)
<b>Net assets of governmental activities</b>		<b>\$ 15,298,635</b>

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2012**

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,799,698	\$ 2,324,401	\$ 1,060,732	\$ 340,845	\$ 7,525,676
Tuition	947,571	-	-	-	947,571
Other	103,972	126,994	567	505,450	736,983
State sources	9,394,639	130	380	126	9,395,275
Federal sources	502,440	-	-	-	502,440
<b>Total revenues</b>	<b>14,748,320</b>	<b>2,451,525</b>	<b>1,061,679</b>	<b>846,421</b>	<b>19,107,945</b>
<b>Expenditures:</b>					
Current:					
Instruction	9,821,788	13,122	-	610,949	10,445,859
Support services:					
Student services	451,827	-	-	1,068	452,895
Instructional staff services	541,982	24,110	-	1,047	567,139
Administration services	1,522,884	206,791	4,000	17,547	1,751,222
Operation and maintenance of plant services	1,394,537	90,697	-	155,443	1,640,677
Transportation services	623,507	81,632	-	48,021	753,160
	4,534,737	403,230	4,000	223,126	5,165,093
Other expenditures:					
Facilities acquisition	-	3,628,808	-	-	3,628,808
Principal on long-term debt	-	-	1,500,000	-	1,500,000
Interest on long-term debt	-	-	1,066,844	-	1,066,844
AEA flowthrough	541,828	-	-	-	541,828
	541,828	3,628,808	2,566,844	-	6,737,480
<b>Total expenditures</b>	<b>14,898,353</b>	<b>4,045,160</b>	<b>2,570,844</b>	<b>834,075</b>	<b>22,348,432</b>
<b>Excess (deficiency) of revenues under (over) expenditures</b>	<b>(150,033)</b>	<b>(1,593,635)</b>	<b>(1,509,165)</b>	<b>12,346</b>	<b>(3,240,487)</b>
Other financing sources (uses):					
Sale of property and equipment	2,603	65,000	-	-	67,603
Issuance of long-term debt	-	450,000	-	-	450,000
Interfund transfers in	-	-	1,508,050	-	1,508,050
Interfund transfers out	-	(1,508,050)	-	-	(1,508,050)
<b>Total other financing sources (uses)</b>	<b>2,603</b>	<b>(993,050)</b>	<b>1,508,050</b>	<b>-</b>	<b>517,603</b>
<b>Net change in fund balance</b>	<b>(147,430)</b>	<b>(2,586,685)</b>	<b>(1,115)</b>	<b>12,346</b>	<b>(2,722,884)</b>
Fund balances, beginning of year	763,150	5,301,486	109,692	501,404	6,675,732
Fund balances, end of year	\$ 615,720	\$ 2,714,801	\$ 108,577	\$ 513,750	\$ 3,952,848

See Notes to Financial Statements.

## Ballard Community School District

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities Year Ended June 30, 2012

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Net change in fund balances - total governmental funds \$ (2,722,884)

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

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

Expenditures for capital assets	\$ 4,707,209	
Depreciation expense	(894,227)	
Sale of property and equipment	(67,603)	
Gain on disposal of capital assets	<u>32,544</u>	3,777,923

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in deferred revenues 71,104

The increase in net assets of the Internal Service Fund represents an overcharge to the governmental funds and is incorporated into the change in net assets of governmental activities. 83,801

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Issuance of capital loan notes	(450,000)	
Repayment of long-term debt	<u>1,500,000</u>	1,050,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 10,082

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

Change in early retirement	54,916	
Change in compensated absences	(39,000)	
Change in Net OPEB asset	<u>31,801</u>	47,717

**Change in net assets of governmental activities \$ 2,317,743**

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Net Assets**

**Proprietary Funds**

**June 30, 2012**

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	Enterprise Fund	
	School Nutrition	Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 28,521	\$ 93,237
Accounts receivable	50,638	-
Inventories	4,368	-
Prepaid expenses	2,784	-
Capital assets, net of accumulated depreciation	16,518	-
<b>Total assets</b>	<b>102,829</b>	<b>93,237</b>
<b>Liabilities</b>		
Claims incurred but not reported	-	1,009
Unearned revenue, other	13,185	-
<b>Total liabilities</b>	<b>13,185</b>	<b>1,009</b>
<b>Net Assets</b>		
Invested in capital assets	16,518	-
Restricted	350	-
Unrestricted	72,776	92,228
<b>Total net assets</b>	<b>\$ 89,644</b>	<b>\$ 92,228</b>

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Revenues, Expenses and Changes in Net Assets**

**Proprietary Funds**

**Year Ended June 30, 2012**

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources, charges for services	\$ 497,114	\$ 121,858
Operating expenses:		
Noninstructional programs:		
Salaries	268,328	-
Benefits	82,931	37,082
Purchased services	26,075	1,410
Supplies	385,793	-
Depreciation	5,631	-
Other	862	-
<b>Total operating expenses</b>	<b>769,620</b>	<b>38,492</b>
<b>Operating income (loss)</b>	<b>(272,506)</b>	<b>83,366</b>
Nonoperating revenues:		
Interest on investments	53	435
State sources	6,929	-
Federal sources	236,143	-
<b>Total nonoperating revenues</b>	<b>243,125</b>	<b>435</b>
<b>Change in net assets</b>	<b>(29,381)</b>	<b>83,801</b>
Net assets, beginning of year	119,025	8,427
Net assets, end of year	\$ 89,644	\$ 92,228

See Notes to Financial Statements.

## Ballard Community School District

### Statement of Cash Flows Proprietary Funds Year Ended June 30, 2012

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of services	\$ 459,662	\$ 121,858
Cash payments to employees for services	(351,259)	(37,082)
Cash payments to suppliers for goods or services	(376,909)	(401)
<b>Net cash provided by (used in) operating activities</b>	<b>(268,506)</b>	<b>84,375</b>
Cash flows from noncapital financing activities:		
State grants received	6,929	-
Federal grants received	198,400	-
<b>Net cash provided by noncapital financing activities</b>	<b>205,329</b>	<b>-</b>
Cash flows from investing activities, interest on investments	53	435
<b>Net increase in cash and cash equivalents</b>	<b>(63,124)</b>	<b>84,810</b>
Cash and cash equivalents, beginning of year	91,645	8,427
Cash and cash equivalents, end of year	<b>\$ 28,521</b>	<b>\$ 93,237</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (272,506)	\$ 83,366
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	5,631	-
Commodities used	37,743	-
(Increase) in accounts receivable	(50,638)	-
Decrease in inventories	863	-
(Increase) in prepaid expense	(2,784)	-
Increase in claims incurred but not reported	-	1,009
Increase in deferred revenue	13,185	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (268,506)</b>	<b>\$ 84,375</b>

Noncash: Noncapital financing activities:

During the year ended June 30, 2012, the District received \$37,743 of federal commodities.

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Fiduciary Assets and Liabilities**

**Agency Fund**

**June 30, 2012**

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	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,917
	<u>3,917</u>
<b>Liabilities</b>	
Accounts payable	3,917
	<u>3,917</u>

See Notes to Financial Statements.

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## Ballard Community School District

### Notes to Basic Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies**

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

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

#### **Reporting entity:**

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

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

#### **Basis of presentation:**

District-wide financial statements: The Statement of Net 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 service.

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, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Unspent debt proceeds which includes reserved for debt retirement was \$1,177,445.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Restricted net assets result 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. Net assets restricted by enabling legislation as of June 30, 2012 consists of \$3,620,094. Net assets restricted by contributors was \$213,937.

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

#### Measurement focus and basis of accounting:

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

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

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.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncement 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 distinguished operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Assets, liabilities and fund equity:

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

Cash, pooled investments and cash equivalents: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit, which are stated at cost.

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

Property tax receivable: Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net 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	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	10,000

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

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

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Unearned/deferred revenue: Although certain revenues are measurable, they are not available. Available means collectible 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unearned revenue consists of unspent grant proceeds, the succeeding year property tax receivable and unearned meal revenues and school registration fees.

Unearned revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned federal grant revenues and unearned meal revenues and school registration fees.

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

Compensated absences: District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and by the Special Revenue Fund, Management Levy.

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

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

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

**Committed:** Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end.

**Assigned:** Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

**Unassigned:** All amounts not included in other spendable classifications.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District first considers the committed to be spent and then the assigned and unassigned, respectively.

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

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

#### **Budgets and budgetary control:**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

#### **Note 2. Cash and Pooled Investments**

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
Debt Service Fund	Capital Projects Fund	<u>\$ 1,508,050</u>

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

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 791,512	\$ -		\$ 791,512
Construction in progress	22,382,395	407,887	22,382,395	407,887
<b>Total capital assets not being depreciated</b>	<u>23,173,907</u>	<u>407,887</u>	<u>22,382,395</u>	<u>1,199,399</u>
Capital assets being depreciated:				
Buildings	15,023,238	25,647,184	47,807	40,622,615
Improvements other than buildings	1,712,829	260,165	-	1,972,994
Furniture and equipment	2,782,189	774,368	-	3,556,557
<b>Total capital assets being depreciated</b>	<u>19,518,256</u>	<u>26,681,717</u>	<u>47,807</u>	<u>46,152,166</u>
Less accumulated depreciation for:				
Buildings	5,502,239	353,549	12,748	5,843,040
Improvements other than buildings	1,168,285	323,045	-	1,491,330
Furniture and equipment	1,836,505	217,633	-	2,054,138
<b>Total accumulated depreciation</b>	<u>8,507,029</u>	<u>894,227</u>	<u>12,748</u>	<u>9,388,508</u>
<b>Total capital assets being depreciated, net</b>	<u>11,011,227</u>	<u>25,787,490</u>	<u>35,059</u>	<u>36,763,658</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 34,185,134</u>	<u>\$ 26,195,377</u>	<u>\$ 22,417,454</u>	<u>\$ 37,963,057</u>
Business-type activities:				
Furniture and equipment	\$ 57,671	\$ -	\$ 7,837	\$ 49,834
Less accumulated depreciation	35,522	5,631	7,837	33,316
<b>Business-type activities capital assets, net</b>	<u>\$ 22,149</u>	<u>\$ (5,631)</u>	<u>\$ -</u>	<u>\$ 16,518</u>

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 4. Capital Assets (Continued)**

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

Governmental activities:	
Unallocated depreciation	<u>\$ 894,227</u>
Business-type activities, food service operations	<u>\$ 5,631</u>

**Note 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 249,934	\$ 54,611	\$ 109,527	\$ 195,018	\$ 104,607
Compensated absences	-	39,000	-	39,000	39,000
Net OPEB liability	-	79,248	111,049	(31,801)	-
General obligation bonds	13,770,000	-	540,000	13,230,000	565,000
Capital loan notes	1,400,000	450,000	300,000	1,550,000	300,000
Revenue bonds	12,300,000	-	660,000	11,640,000	675,000
<b>Total</b>	<u>\$ 27,719,934</u>	<u>\$ 622,859</u>	<u>\$ 1,720,576</u>	<u>\$ 26,622,217</u>	<u>\$ 1,683,607</u>

Early retirement: The District offers a voluntary early retirement plan to its certified, administrative and classified employees. Eligible employees must be at least age 55 and employees must have completed 15 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

For administrative and certified personnel, the early retirement incentive for each eligible employee is equal to 25 percent of the employee's base salary calculated by using the current year regular salary schedule and \$100 per day of accumulated unused sick leave up to a maximum of 125 days. For classified personnel, the early retirement incentive for each eligible employee is the product of 25 percent of the employee's base salary calculated by using the current year regular schedule and \$50 per day of accumulated unused sick leave up to a maximum of 125 days.

As of June 30, 2012, the District had obligations to 15 participants with a total liability of \$195,018. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$109,527. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements. The early retirement liability is paid primarily from the Management Fund.

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 5. Long-Term Liabilities (Continued)**

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

General Obligation School and Refunding Bonds, Series 2009: The District issued Series 2009 General Obligation School and Refunding Bonds of \$10,000,000 for construction of a new high school building and to currently refund general obligation indebtedness dated December 18, 2008.

General Obligation School Bonds, Series 2010: The District issued Series 2010 General Obligation School Bonds of \$4,360,000 to continue construction of a new high school building.

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

Year Ending June 30	Bond Issue of November 24, 2009			Bond Issue of October 1, 2010			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2013	3.50%	\$ 335,000	\$ 389,930	1.50%	\$ 230,000	\$ 115,688	\$ 1,070,618
2014	3.50	360,000	378,205	2.00	225,000	112,238	1,075,443
2015	3.50	380,000	365,605	2.00	225,000	107,738	1,078,343
2016	4.00	400,000	352,305	2.00	225,000	103,238	1,080,543
2017	4.00	425,000	336,305	2.50	225,000	98,738	1,085,043
2018-2022	3.90-4.10	2,515,000	1,407,325	2.50-2.90	1,150,000	405,646	5,477,971
2023-2027	4.15-4.65	3,285,000	826,733	3.00-4.00	1,200,000	236,744	5,548,477
2028-2029	4.85-5.00	1,510,000	112,118	4.00	540,000	32,600	2,194,718
		<u>9,210,000</u>	<u>4,168,526</u>		<u>4,020,000</u>	<u>1,212,630</u>	<u>18,611,156</u>

Capital loan notes: The District has two series of capital loan notes outstanding as follows:

General Obligation School Capital Loan Notes, Series 2011: The District issued \$1,400,000 of General Obligation School Capital Loan Notes Series 2011 to construct, furnish and equip an addition to the East Elementary building and related remodeling.

General Obligation School Capital Loan Notes, Series 2011A: The District issued \$450,000 of General Obligation School Capital Loan Notes, Series 2011A to continue construction and remodeling of the East Elementary building.

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 5. Long-Term Liabilities (Continued)**

The capital loan notes will be paid from the physical plant and equipment levy. The details of the issuances and maturities are as follows:

Year Ending June 30	Capital Loan Note of June 7, 2011			Capital Loan Note of July 11, 2011			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2013	1.15%	\$ 225,000	\$ 19,420	2.00%	\$ 75,000	\$ 8,907	\$ 328,327
2014	1.20	230,000	16,832	2.40	75,000	7,125	328,957
2015	1.60	235,000	14,072	2.40	75,000	5,344	329,416
2016	2.00	240,000	10,312	2.40	75,000	3,563	328,875
2017	2.25	245,000	5,512	2.40	75,000	1,782	327,294
		<u>1,175,000</u>	<u>66,148</u>		<u>375,000</u>	<u>26,721</u>	<u>1,642,869</u>

Revenue bonds: The District issued School Infrastructure Sales Services and Use Tax Revenue and Refunding Bonds, Series 2009 of \$12,300,000 to construct, equip, and furnish a new high school building and to current refund previously outstanding revenue bonds. The details of the bonds and maturity schedule are as follows:

Year Ending June 30	Revenue Bonds Issuance December 1, 2009			
	Interest Rate	Principal	Interest	Total
2013	3.00%	\$ 675,000	\$ 497,663	\$ 1,172,663
2014	3.00	695,000	477,112	1,172,112
2015	3.50	500,000	459,188	959,188
2016	4.00	460,000	443,638	903,638
2017	4.00	475,000	426,088	901,088
2018-2022	4.25-5.00	2,660,000	1,654,819	4,314,819
2023-2027	5.00	3,305,000	1,145,125	4,450,125
2028-2030	5.00	2,870,000	254,750	3,124,750
		<u>\$ 11,640,000</u>	<u>\$ 5,358,383</u>	<u>\$ 16,998,383</u>

**Ballard Community School District**

**Notes to Basic Financial Statements**

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**Note 5. Long-Term Liabilities (Continued)**

The District has pledged future statewide sales, services and use tax revenues to repay the \$12,300,000 bonds issued in December 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the revenue bonds is \$16,998,383. For the current year, \$1,177,688 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,817,818.

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

- a. \$1,177,445 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if sufficient money is not available in the sinking account. The balance of the proceeds shall be deposited to the project account. The required reserve account had a balance of \$1,177,445 on June 30, 2012.
- b. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c. Monies in the revenue account shall be disbursed to make deposits into a sinking fund account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The sinking fund account had a balance of \$928,926 on June 30, 2012.
- d. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Iowa School Cash Anticipation Program (ISCAP): The District participates in the Iowa School Cash Anticipation Program. 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. The warrant sizing of each school district is based on a projection of cash flow needs during the annual period. Bankers Trust Co. NA is the trustee for the program. The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District's 2011-2012 Series A warrant amount was \$1,100,000 with an interest rate of 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-2012 A	7/6/2011	6/21/2012	\$ -	\$ 50,001	\$ 50,001	\$ -

During the year, the District paid \$4,661 for interest and cost of issuance on the ISCAP warrant.

## Ballard Community School District

### Notes to Basic Financial Statements

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

Plan description: The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 127 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

The medical plan is provided through a fully-insured program provided by Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit subsidy and an OPEB liability. In addition, there are 11 retired members that receive an explicit subsidy.

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

Annual OPEB cost and net OPEB obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 85,701
Interest on net OPEB obligation	(635)
Adjustment to annual required contribution	<u>(5,818)</u>
Annual OPEB cost	79,248
Contributions made	<u>(111,049)</u>
Increase in net OPEB obligation	(31,801)
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ (31,801)</u></u>

## Ballard Community School District

### Notes to Basic Financial Statements

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 80,139	100.0%	\$ -
June 30, 2011	76,911	100.0%	-
June 30, 2012	79,248	140.1%	(31,801)

Funded status and funding progress: As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$608,267 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$608,267. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,056,000 and the ratio of the UAAL to covered payroll was 6.7 percent. As of June 30, 2012, there were no trust fund assets.

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the notes to financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 on a 2/3 female, 1/3 male gender basis. Annual retirement and termination probabilities were developed from prior District experience.

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 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, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.3 percent of their annual covered salary and the District is required to contribute 6.65 percent of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$730,806, \$575,089 and \$545,757 respectively, equal to the required contributions for each year.

#### Note 8. Risk Management

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

The District is partially self-funded only for individuals electing the individual \$500 deductible health plan. For this plan, the District funds claims between the individual \$500 deductible and the \$1,500 deductible plan with the insurance company. Payments are made to the plan based on amounts needed to pay prior and current year claims. Changes in the claims liability amounts for the years ended June 30, 2012 and 2011 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2012	\$ -	\$ 37,082	\$ 36,073	\$ 1,009
2011	-	-	-	-

#### Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$541,828 for the year ended June 30, 2012 and is recorded in the General Fund.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 10. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2012 is comprised of the following programs:

Program	Amount
Home school assistance	\$ 83,690
Gifted and talented	29,681
Dropout prevention	197,903
Preschool	86,101
Market factor	18,221
Professional development for model core	81,307
<b>Total</b>	<u><u>\$ 496,903</u></u>

#### Note 11. Commitments

The District has entered into various contracts totaling \$20,175,892 for the construction of a new high school. As of June 30, 2012, costs of \$20,083,779 had been incurred against the contracts. The balance of \$92,113 remaining as of June 30, 2012 will be paid as work on the projects progress.

#### Note 12. Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2012:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45*. This Statement was issued January 2010. This Statement addressed issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, issued July 2011. This Statement clarified that when certain conditions are met, the use of hedge accounting should not be terminated.

The adoption of these Statements had no effect on the District in the current year.

As of June 30, 2012, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnerships.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### **Note 12. Governmental Accounting Standards Board (GASB) Statements (Continued)**

GASB Statement No 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* issued November 2010 will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 66, *Technical Corrections – 2012*, issued April 2012, will be effective for the District with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### **Note 12. Governmental Accounting Standards Board (GASB) Statements (Continued)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The District's management has not yet determined the effect these GASB Statements will have on the District's financial statements.

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**Ballard Community School District**

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Enterprise Fund  
Required Supplementary Information  
Year Ended June 30, 2012**

	Governmental Funds - Actual	Enterprise Fund - Actual	Total Actual
Revenues:			
Local sources	\$ 9,210,230	\$ 497,167	\$ 9,707,397
State sources	9,395,275	6,929	9,402,204
Federal sources	502,440	236,143	738,583
<b>Total revenues</b>	<b>19,107,945</b>	<b>740,239</b>	<b>19,848,184</b>
Expenditures/expenses:			
Instruction	10,445,859	-	10,445,859
Support services	5,165,093	-	5,165,093
Noninstructional programs	-	769,620	769,620
Other expenditures	6,737,480	-	6,737,480
<b>Total expenditures/expenses</b>	<b>22,348,432</b>	<b>769,620</b>	<b>23,118,052</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(3,240,487)</b>	<b>(29,381)</b>	<b>(3,269,868)</b>
Other financing sources (uses):			
Proceeds from disposal of property	67,603	-	67,603
Proceeds from long-term debt	450,000	-	450,000
Interfund transfers in	1,508,050	-	1,508,050
Interfund transfers out	(1,508,050)	-	(1,508,050)
<b>Total other financing sources (uses)</b>	<b>517,603</b>	<b>-</b>	<b>517,603</b>
<b>Net change in fund balance</b>	<b>(2,722,884)</b>	<b>(29,381)</b>	<b>(2,752,265)</b>
Balance, beginning of year	6,675,732	119,025	6,794,757
Balance, end of year	<b>\$ 3,952,848</b>	<b>\$ 89,644</b>	<b>\$ 4,042,492</b>

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 9,339,300	\$ 9,339,300	\$ 368,097
9,685,807	9,685,807	(283,603)
430,000	430,000	308,583
<u>19,455,107</u>	<u>19,455,107</u>	<u>393,077</u>
10,122,000	11,000,000	554,141
5,182,000	5,182,000	16,907
753,000	850,000	80,380
8,076,418	9,000,000	2,262,520
<u>24,133,418</u>	<u>26,032,000</u>	<u>2,913,948</u>
<u>(4,678,311)</u>	<u>(6,576,893)</u>	<u>3,307,025</u>
-	-	67,603
1,125,000	1,125,000	(675,000)
1,177,688	1,177,688	330,362
<u>(1,177,688)</u>	<u>(1,177,688)</u>	<u>(330,362)</u>
<u>1,125,000</u>	<u>1,125,000</u>	<u>(607,397)</u>
<u>(3,553,311)</u>	<u>(5,451,893)</u>	<u>2,699,628</u>
5,707,461	5,707,461	1,087,296
<u>\$ 2,154,150</u>	<u>\$ 255,568</u>	<u>\$ 3,786,924</u>

## **Ballard Community School District**

### **Note to Required Supplementary Information – Budgetary Reporting**

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#### **Note 1. Budgets and Budgetary Information**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,898,582.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

**Ballard Community School District**

**Required Supplementary Information  
Schedule of Funding Progress for the Retiree Health Plan  
Year Ended June 30, 2012**

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Year Ended June 30:	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	-	660,000	660,000	0.00%	8,391,000	7.87%
2011	7/1/2009	-	608,267	608,267	0.00%	8,498,000	7.16%
2012	7/1/2009	-	608,267	608,267	0.00%	9,065,000	6.71%

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

**Ballard Community School District**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

	Special Revenue		Total
	Management Levy	Student Activity	
<b>Assets</b>			
Cash and pooled investments	\$ 288,298	\$ 213,937	\$ 502,235
Receivables:			
Property tax:			
Current year	2,446	-	2,446
Succeeding year	349,999	-	349,999
Accounts	9,069	-	9,069
<b>Total assets</b>	<b>\$ 649,812</b>	<b>\$ 213,937</b>	<b>\$ 863,749</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b> , deferred revenue, succeeding year property tax	\$ 349,999	\$ -	\$ 349,999
<b>Fund balances</b> , restricted	299,813	213,937	513,750
<b>Total liabilities and fund balances</b>	<b>\$ 649,812</b>	<b>\$ 213,937</b>	<b>\$ 863,749</b>

**Ballard Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**

**Nonmajor Governmental Funds**

**Year Ended June 30, 2012**

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 340,845	\$ -	\$ 340,845
Other	54,628	450,822	505,450
State sources	126	-	126
<b>Total revenues</b>	<b>395,599</b>	<b>450,822</b>	<b>846,421</b>
Expenditures:			
Current:			
Instruction	139,328	471,621	610,949
Support services:			
Student services	1,068	-	1,068
Instructional staff services	1,047	-	1,047
Administration services	17,547	-	17,547
Operating and maintenance of plant services	155,443	-	155,443
Transportation services	48,021	-	48,021
<b>Total expenditures</b>	<b>362,454</b>	<b>471,621</b>	<b>834,075</b>
<b>Net change in fund balances</b>	<b>33,145</b>	<b>(20,799)</b>	<b>12,346</b>
Fund balances, beginning of year	266,668	234,736	501,404
Fund balances, end of year	\$ 299,813	\$ 213,937	\$ 513,750

**Ballard Community School District**

**Schedule of Combining Balance Sheet  
Capital Project Fund - By Account  
June 30, 2012**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 267,963	\$ 532,504	\$ 800,467
Restricted cash and investments	2,106,371	-	2,106,371
Receivables:			
Property tax:			
Current year	-	2,440	2,440
Succeeding year	-	375,036	375,036
Income surcharge tax	-	141,083	141,083
Accounts	334,209	-	334,209
Other	-	10	10
<b>Total assets</b>	<b>\$ 2,708,543</b>	<b>\$ 1,051,073</b>	<b>\$ 3,759,616</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	430,106	28,565	458,671
Deferred revenue:			
Succeeding year property tax	-	375,036	375,036
Income surcharge tax	-	141,083	141,083
Other	70,025	-	70,025
<b>Total liabilities</b>	<b>500,131</b>	<b>544,684</b>	<b>1,044,815</b>
<b>Fund Balances</b>			
Restricted for:			
School infrastructure	2,208,412	-	2,208,412
Physical plant and equipment	-	506,389	506,389
<b>Total fund balances</b>	<b>2,208,412</b>	<b>506,389</b>	<b>2,714,801</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,708,543</b>	<b>\$ 1,051,073</b>	<b>\$ 3,759,616</b>

**Ballard Community School District**

**Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Fund - By Account  
Year Ended June 30, 2012**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,817,818	\$ 506,583	\$ 2,324,401
Other	124,031	2,963	126,994
State sources	-	130	130
<b>Total revenues</b>	<b>1,941,849</b>	<b>509,676</b>	<b>2,451,525</b>
Expenditures:			
Current:			
Instruction	13,122	-	13,122
Support services:			
Instructional staff services	-	24,110	24,110
Administration services	202,465	4,326	206,791
Operation and maintenance of plant services	-	90,697	90,697
Transportation services	-	81,632	81,632
Other expenditures, facilities acquisition	3,565,951	62,857	3,628,808
<b>Total expenditures</b>	<b>3,781,538</b>	<b>263,622</b>	<b>4,045,160</b>
<b>Excess (deficiency) of revenues over     (under) expenditures</b>	<b>(1,839,689)</b>	<b>246,054</b>	<b>(1,593,635)</b>
Other financing sources (uses):			
Issuance of long-term debt	-	450,000	450,000
Sale of property and equipment	-	65,000	65,000
Transfers in	521,363	-	521,363
Transfers out	(1,177,687)	(851,726)	(2,029,413)
<b>Total other financing sources (uses)</b>	<b>(656,324)</b>	<b>(336,726)</b>	<b>(993,050)</b>
<b>Net change in fund balance</b>	<b>(2,496,013)</b>	<b>(90,672)</b>	<b>(2,586,685)</b>
Fund balance, beginning of year	4,704,425	597,061	5,301,486
Fund balance, end of year	<b>\$ 2,208,412</b>	<b>\$ 506,389</b>	<b>\$ 2,714,801</b>

**Ballard Community School District**

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year Ended June 30, 2012**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/ Speech	\$ 3,518	\$ 2,860	\$ 5,169	\$ 1,209
Vocal Music	15,216	92,535	97,390	10,361
Middle School Vocal	-	10,013	6,000	4,013
West Elementary Vocal	70	-	-	70
Instrumental Music	33,393	10,495	7,187	36,701
Music Account	328	5,995	6,323	-
Elementary Band	2,441	13,870	11,704	4,607
East Elementary Vocal	-	2,669	2,661	8
Dance Team	1,010	8,379	7,916	1,473
Yearbook	4,077	3,692	2,268	5,501
Elementary Activities	1,776	242	793	1,225
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	2,666	1,120	2,892	894
Cheer Team	335	13,668	13,150	853
High School Library Coffee Shop	-	845	437	408
Spanish Club	2,748	2,166	2,812	2,102
SADD	378	-	378	-
Game Changers	-	416	111	305
Junior High Student Council	-	83	-	83
Senior High Student Council	2,613	6,462	7,232	1,843
National Honor Society	1,872	6,187	5,455	2,604
Conflict Managers	1,614	1,940	2,286	1,268
East Elementary Student Council	11,201	10,085	5,816	15,470
West Elementary Student Council	23,454	8,968	9,433	22,989
Class of 2011	542	-	425	117
Class of 2012	3,359	1,419	3,543	1,235
Class of 2013	174	13,321	11,452	2,043
Class of 2014	140	146	100	186
Class of 2015	50	42	50	42
Weight Program	-	1,481	-	1,481
Athletic Director	77,446	66,532	100,982	42,996
Boys Basketball	4,249	11,652	10,349	5,552
Football	11,891	22,687	20,463	14,115
Soccer	1,018	2,783	2,453	1,348
Baseball	2,587	14,070	13,700	2,957
Boys Track	1,184	10,433	10,006	1,611
Boys Tennis	527	2,391	2,097	821
Boys Golf	742	2,209	1,579	1,372
Wrestling	2,472	11,746	10,569	3,649
Girls Basketball	6,594	11,559	11,559	6,594
Volleyball	5,140	6,302	6,302	5,140
Girls Soccer	1,391	3,266	2,910	1,747
Girls Softball	3,286	14,469	14,438	3,317
Girls Track	1,941	7,876	7,663	2,154
Girls Tennis	661	2,271	2,091	841
Girls Golf	500	1,011	1,011	500
Concessions	47	40,466	40,466	47
<b>Totals</b>	<b>\$ 234,736</b>	<b>\$ 450,822</b>	<b>\$ 471,621</b>	<b>\$ 213,937</b>

**Ballard Community School District**

**Schedule of Changes in Fiduciary Assets and Liabilities**

**Agency Fund**

**Year Ended June 30, 2012**

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	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 49,469	\$ 11,578	\$ 57,130	\$ 3,917
<b>Liabilities</b>				
Accounts payable	\$ 49,469	\$ 11,578	\$ 57,130	\$ 3,917

**Ballard Community School District**

**Schedule of Changes in Agency Fund by Account  
Year Ended June 30, 2012**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>Account</b>				
Character Education Council	\$ 79	\$ -	\$ -	\$ 79
Ballard Foundation	44,800	-	44,800	-
Wellness Team	-	683	528	155
GARP	1,597	-	-	1,597
East Elementary	1,153	2,897	3,224	826
Junior-Senior High	549	5,131	5,680	-
West Elementary	1,291	2,867	2,898	1,260
<b>Total</b>	<b>\$ 49,469</b>	<b>\$ 11,578</b>	<b>\$ 57,130</b>	<b>\$ 3,917</b>

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**Ballard Community School District**

**Schedule of Revenues by Source and Expenditures by Function**

**All Governmental Funds - Modified Accrual Basis**

**Last Nine Years**

	Years Ended June 30:			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 7,525,676	\$ 7,117,650	\$ 6,696,028	\$ 5,891,714
Tuition	947,571	942,213	866,226	830,879
Other	736,983	581,288	534,534	546,549
State sources	9,395,275	8,675,653	7,306,731	7,843,517
Federal sources	502,440	457,161	948,258	363,330
<b>Total revenues</b>	<b>\$ 19,107,945</b>	<b>\$ 17,773,965</b>	<b>\$ 16,351,777</b>	<b>\$ 15,475,989</b>
Expenditures:				
Instruction	\$ 10,445,859	\$ 9,391,240	\$ 8,896,018	\$ 8,617,706
Support services:				
Student services	452,895	425,010	392,979	432,881
Instructional staff services	567,139	793,267	530,874	600,766
Administration services	1,751,222	1,650,802	1,397,948	1,300,294
Operation and maintenance of plant services	1,640,677	1,116,783	1,081,806	1,102,680
Transportation services	753,160	617,300	662,198	557,309
Noninstructional programs	-	-	2,951	3,091
Other expenditures:				
Facilities acquisition	3,628,808	13,608,332	8,734,116	2,217,070
Long-term debt:				
Principal	1,500,000	655,000	5,900,000	1,000,000
Interest and fiscal charges	1,066,844	1,078,398	364,160	209,768
AEA flowthrough	541,828	573,796	554,040	485,745
<b>Total expenditures</b>	<b>\$ 22,348,432</b>	<b>\$ 29,909,928</b>	<b>\$ 28,517,090</b>	<b>\$ 16,527,310</b>

Years Ended June 30:					
2008	2007	2006	2005	2004	
\$ 5,329,018	\$ 4,879,386	\$ 4,627,185	\$ 4,598,049	\$ 4,251,051	
878,697	811,694	773,489	649,687	626,000	
693,691	643,936	509,553	438,186	406,488	
7,388,811	6,872,971	6,014,905	5,693,100	5,293,766	
184,504	177,730	219,892	184,202	171,237	
<u>\$ 14,474,721</u>	<u>\$ 13,385,717</u>	<u>\$ 12,145,024</u>	<u>\$ 11,563,224</u>	<u>\$ 10,748,542</u>	
\$ 7,884,661	\$ 7,577,797	\$ 7,030,787	\$ 6,610,369	\$ 6,320,785	
363,167	298,544	364,469	341,803	373,767	
505,584	389,501	594,030	451,892	378,918	
1,454,255	1,310,795	1,103,129	834,437	833,022	
1,040,844	983,383	1,070,935	1,006,349	890,347	
577,067	537,001	622,261	419,560	371,434	
4,730	2,776	5,224	4,199	6,528	
766,441	177,431	1,767,109	1,555,035	2,131,283	
2,120,000	375,000	1,160,000	947,296	438,539	
242,930	260,743	303,280	228,619	179,719	
442,195	407,705	362,333	344,575	337,192	
<u>\$ 15,401,874</u>	<u>\$ 12,320,676</u>	<u>\$ 14,383,557</u>	<u>\$ 12,744,134</u>	<u>\$ 12,261,534</u>	

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**Ballard Community School District**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12 4552	\$ 24,837
National School Lunch Program	10.555	FY12 4553	173,564
National School Lunch Program (Noncash)	10.555	FY12	37,743
			<u>236,144</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY12 4501	<u>88,396</u>
Advanced Placement Program	84.330	FY12 4654	<u>77</u>
Improving Teacher Quality State Grants	84.367	FY12 4643	<u>24,521</u>
Grants for State Assessments and Related Activities	84.369	FY12 4648	<u>10,537</u>
ARRA-State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	FY11 4039	<u>5,388</u>
ARRA-Education Jobs Bill	84.410	FY11 4041	287,463
	84.410	FY12 4041	<u>4,255</u>
			<u>291,718</u>
Heartland Area Education Agency:			
Special Education - Grants to States	84.027	FY12 4521	<u>74,214</u>
Career and Technical Education - Basic Grants to States	84.048	FY12 4531	<u>7,590</u>
<b>Total expenditures of federal awards</b>			<u>\$ 738,585</u>

## Ballard Community School District

### Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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#### **Note 1 Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Ballard Community School District under programs of the federal government for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Ballard Community School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Ballard Community School District.

#### **Note 2 Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue from federal awards is recognized when the District has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal awards is recognized when it is both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Ballard Community School District**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012**

	Findings	Status	Corrective Action Plan or Other Explanation
<b>Material Weaknesses in Internal Control:</b>			
II-A-11	The District has insufficient segregation of duties over District transactions.	Not corrected	II-A-12 through II-C-12
II-B-11	The District requests the auditor to draft the financial statements.	Corrected	
<b>Significant Deficiency in Internal Control:</b>			
II-C-11	The District did not identify material amounts of payables in the Capital Projects Fund.	Corrected	
<b>Findings in Administering Federal Programs:</b>			
<b>Material Weaknesses in Internal Control:</b>			
III-A-11	The District did not properly segregate custody, record keeping, and reconciling functions for funds.	Not corrected	III-A-12 through III-C-12

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ballard Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Ballard Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ballard 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 an opinion on the effectiveness of Ballard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as II-A-12 through II-C-12 to be material weaknesses.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about Ballard Community School District's operations for the year ended June 30, 2012 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.

We noted certain matters that we reported to management of Ballard Community School District in a separate letter dated February 8, 2013.

Ballard Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard 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 Ballard Community School District and other parties to whom Ballard 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 those specified parties.

*Bohnsack & Frommelt LLP*

Overland Park, Kansas  
February 8, 2013

**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of Ballard Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Ballard Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ballard Community School District's management. Our responsibility is to express an opinion on Ballard Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ballard Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ballard Community School District's compliance with those requirements.

In our opinion, Ballard Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of Ballard Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ballard Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III-A-12 through III-C-12 to be material weaknesses.

Ballard Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them response.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard 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.

*Bohnsack & Frommelt LLP*

Overland Park, Kansas  
February 8, 2013

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**Part I: Summary of the Independent Auditor's Results**

- b) Unqualified opinions were issued on the financial statements.
- c) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- d) The audit did not disclose any noncompliance which is material to the financial statements.
- e) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- f) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- g) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- h) Major programs were as follows:
  - Child Nutrition Program Cluster:
    - CFDA Number 10.553      School Breakfast Program
    - CFDA Number 10.555      National School Lunch Program
    - CFDA Number 84.410      ARRA-Education Jobs Bill
- i) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- j) Ballard Community School District did not qualify as a low-risk auditee.

(Continued)

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**Part II: Findings Related to the Basic Financial Statements**

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

**II-A-12**

Finding: The District has insufficient segregation of duties over the payroll process.

Condition: An individual has access to change the employee master file, including entering new employees, modifying pay rates and adding deductions; enter time to the payroll system, process the payroll and generate the payroll checks and direct deposits. This position also has general ledger access and reconciles bank statements.

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

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

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

Recommendation: Ideally, the position responsible for processing the payroll should be segregated from access to make employee master file changes. The District should evaluate the payroll software to determine if password protections within applications in regard to the master file could be limited to another position in office. If capabilities do not exist to restrict access, we provide the following recommendations to strengthen the District's internal control system:

- Another position should review the payroll checks and direct deposit listing to look for any unknown employees and any unusual pay amounts. This position should compare the total pay amount to the prior payroll period and investigate any unusual variances in the total amount paid from one pay period to the next and compare totals to budget for any variances.
- The District should determine if a payroll change/edit report can be printed from the payroll system. This report should list all changes made to the employee master files as well as extra pays or leave time added for the pay period. The changes on this report should be reviewed by a position independent from the payroll processing position.
- An employee independent of payroll processing should receive the monthly bank statement and review the cancelled checks to look for any unusual payees, amounts and to ensure the signatures were proper. This position should review the monthly bank reconciliations and compare the bank balances to the monthly bank statement, book balance to the general ledger system and make sure there are no unusual reconciling items listed on the reconciliation.

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

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**II-B-12**

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

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

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

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

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

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

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

- We recommend the District remove the access to the vendor master file and the remove the general ledger access so that the position is unable to void checks and post to the general ledger.
- We recommend that check sequence be tracked by someone independent of the cash disbursement function to ensure all checks are appropriately approved and accounted for. Any gaps in sequence should be accounted for and investigated. The person accounting for check sequence should also ensure that all checks accounted for are listed on the Bills Listing sent to the Board for review each month, including any manual checks written between Board meetings or payroll deduction checks written on expenditure check stock.
- All credit card and purchasing card statements should be reviewed for propriety by an employee that does not have access to the credit cards.

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

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**II-C-12**

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

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

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

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

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

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

- Employees with billing and posting authorization should not handle checks or cash. We recommend reviewing current assignments to determine if all cash and checks could be received by the same person that prepares the deposit slip and goes to the bank. However, this person would have no posting access. A separate person would post the receipts and reconcile the bank statements.
- Another position should receive the monthly bank statement and review the cancelled checks to look for any unusual payees, amounts and to ensure the signatures were proper. This position should review the monthly bank reconciliations and compare the bank balances to the monthly bank statement, book balance to the general ledger system and make sure there are no unusual reconciling items listed on the reconciliation.
- When money is collected at the high school or grade school, a pre-numbered receipt is provided to the person making the payment. The Business Office should monitor the receipt books and receipt number ranges and monthly reconcile the total receipts distributed to the bank deposits.
- To provide improved monitoring controls, we recommend all activity fund sponsors are provided a listing of all deposits and all disbursements from their applicable activity fund on a monthly basis. The activity fund sponsor would be required to review the report to ensure the deposits and disbursements are proper and authorized.

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

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**Part III: Findings and Questioned Costs for Federal Awards**

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

**III-A-12**

**U.S. Department of Education  
Passed Through Iowa Department of Education  
ARRA-Education Jobs Bill (CFDA 84.410)  
Federal Award Year: 2011, 2012**

**Passed Through Heartland Area Education Agency  
Special Education-Grants to States Part B (CFDA 84.027)  
Federal Award Year: 2011, 2012**

Refer to Finding II-A-12

**III-B-12**

**U.S. Department of Agriculture  
Passed Through Iowa Department of Education  
Child Nutrition Program Cluster  
School Breakfast Program (CFDA 10.553)  
National School Lunch Program (CFDA 10.555)  
Federal Award Year: 2012**

**U.S. Department of Education  
Passed Through Iowa Department of Education  
ARRA-Education Jobs Bill (CFDA 84.410)  
Federal Award Year: 2011, 2012**

**Passed Through Heartland Area Education Agency  
Special Education-Grants to States Part B (CFDA 84.027)  
Federal Award Year: 2011, 2012**

Refer to Finding II-B-12

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**III-C-12**

**U.S. Department of Agriculture  
Passed Through Iowa Department of Education  
Child Nutrition Program Cluster  
School Breakfast Program (CFDA 10.553)  
National School Lunch Program (CFDA 10.555)  
Federal Award Year: 2012**

**Passed Through Heartland Area Education Agency  
Special Education-Grants to States Part B (CFDA 84.027)  
Federal Award Year: 2011, 2012**

Refer to Finding II-C-12

**Part IV: Other Findings Related to Statutory Reporting**

**IV-A-12**

Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted at year-end.

**IV-B-12**

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

**IV-C-12**

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.

**IV-D-12**

Business Transactions – No business transactions between the District and District officials or employees were noted.

**IV-E-12**

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.

(Continued)

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**IV-F-12**

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

**IV-G-12**

Certified Enrollment:

Finding: – The Department of Management identified one variance in the basic enrollment data certified to the Department of Education. The District corrected the variance prior to the year-end audit.

Recommendation: We recommend increased enrollment verification prior to certification.

Response and Corrective Action Plan: The District corrected the variance prior to the year-end audit and will continue to review enrollment data prior to submission.

Conclusion: Response accepted.

**IV-H-12**

Supplementary Weighting:

Finding: The Department of Management identified variances in the supplementary weighting certified to the Department of Education.

Recommendation: We recommend increased reviews over courses to ensure proper coding for supplementary weighting.

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

Conclusion: Response accepted.

**IV-I-12**

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

**IV-J-12**

Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

(Continued)

**Ballard Community School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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**IV-K-12**

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

**IV-L-12**

Statewide Sales and Services Tax – No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales and services tax revenue:

Beginning balance	\$ 4,704,425
Revenue / transfers in:	
Statewide sales and services tax revenue	1,817,818
Transfers in/other	645,394
Expenditures/transfers out:	
School infrastructure	3,565,951
Transfers out	1,177,687
Other	215,587
Ending balance	<u><u>\$ 2,208,412</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.53400	\$ 160,903

## Ballard Community School District

### Corrective Action Plan Year Ended June 30, 2012

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>Material Weaknesses In Internal Control:</b>				
II-A-12	The District has inadequate segregation of duties over payroll.	See response and corrective action plan at II-A-12	Fiscal Year 2013	Janice Halverson
II-B-12	The District has inadequate segregation of duties over disbursements.	See response and corrective action plan at II-B-12	Fiscal Year 2013	Janice Halverson
II-C-12	The District has inadequate segregation of duties over receipts.	See response and corrective action plan at II-C-12	Fiscal Year 2013	Janice Halverson
<b>Material Weaknesses In Internal Control Over Federal Awards:</b>				
III-A-12	The District has inadequate segregation of duties over payroll.	See response and corrective action plan at II-A-12	Fiscal Year 2013	Janice Halverson
III-B-12	The District has inadequate segregation of duties over disbursements.	See response and corrective action plan at II-B-12	Fiscal Year 2013	Janice Halverson
III-C-12	The District has inadequate segregation of duties over receipts.	See response and corrective action plan at II-C-12	Fiscal Year 2013	Janice Halverson
<b>Other Findings Related to Required Statutory Reporting:</b>				
IV-G-12	The District had a variance of one student in the certified enrollment certification.	See response and corrective action plan at IV-G-12	Fiscal Year 2013	Janice Halverson
IV-H-12	The District had variances in supplemental weighting data.	See response and corrective action plan at IV-H-12	Fiscal Year 2013	Janice Halverson



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

In connection with our audit of the financial statements of the Ballard Community School District as of and for the year ended June 30, 2012, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following is a description of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

- 1) There is an inherent limitation to internal controls when a direct report approves expenses of a supervisor. The approval of the Superintendent's reimbursement requests is being performed by the Business Manager. We recommend the Board President be provided all receipts and sign all reimbursement request forms of the Superintendent prior to payment.
- 2) The ARRA-Education Jobs Fund Program grant receipts were deposited into an interest bearing account. The Iowa Department of Education *State Guidance to Local Education Agencies* states, "if the account used to deposit funds is interest-bearing, restrictions on earning interest on federal funds apply." Specifically, the recipient may retain interest earned of \$100 or less annually. The District has earned more than the maximum amount allowed. We recommend the District follow up with the Iowa Department of Education to determine a resolution.
- 3) The District reduces an expenditure account in the Activity or Athletic Fund when the District receives a contribution. We recommend the District record contributions as revenue to report the transactions.

This communication is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Bohnsack & Frommelt LLP*

Overland Park, Kansas  
February 8, 2013