

BEDFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2011 Election)</b>		
Jack Spencer	President	2011
Mike Irvin	Vice President	2013
Roger Ritchie	Board Member	2011
Layne Thornton	Board Member	2013
Joe Murphy	Board Member	2011

<b>Board of Education (After September 2011 Election)</b>		
Jack Spencer	President	2015
Layne Thornton	Vice President	2013
Mike Irvin	Board Member	2013
Roger Ritchie	Board Member	2015
Joe Murphy	Board Member	2015

<b>School Officials</b>		
Joe Drake	Superintendent	2012
Sharon Hart	District Secretary/Treasurer	2012
Ahlers & Cooney, P.C.	Attorney	2012

**BEDFORD COMMUNITY  
SCHOOL DISTRICT**

**HOME OF THE BULLDOGS**

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2013 on our consideration of Bedford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary 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 Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,761,818 in fiscal 2011 to \$5,455,569 in fiscal 2012, while General Fund expenditures increased from \$5,282,883 in fiscal 2011 to \$5,656,293 in fiscal 2012. This resulted in a decrease in the District's General Fund balance from \$793,158 in fiscal 2011 to a balance of \$592,434 in fiscal 2012, a 25.31% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local and federal sources of revenue in fiscal 2012. The increase in expenditures was due mainly in part to increased spending in the support services functional area.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bedford Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

**Figure A-1**  
**Bedford Community School District Annual Financial Report**

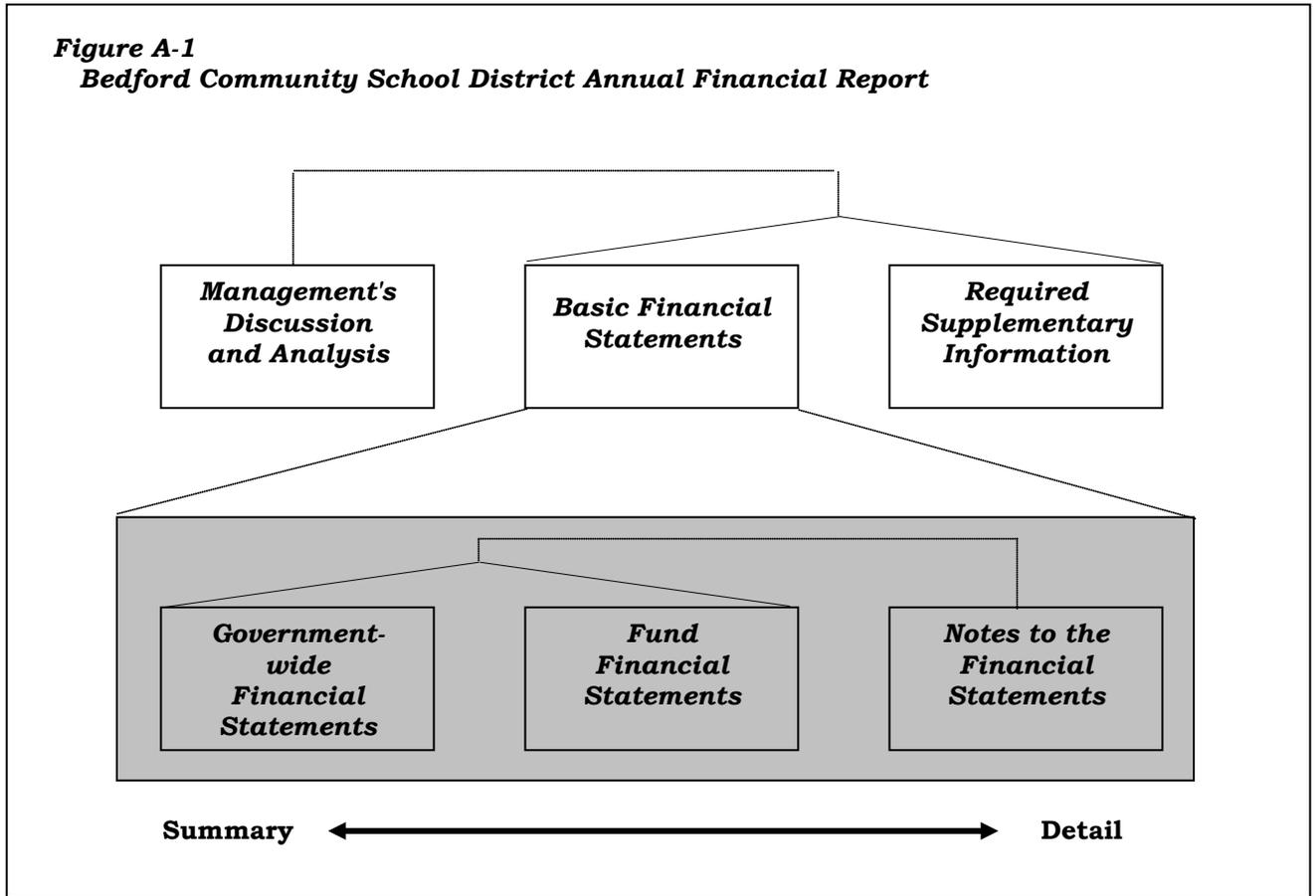


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 4,067,360	4,340,725	33,432	38,665	4,100,792	4,379,390	-6.36%
Capital assets	4,979,596	5,081,354	6,963	9,532	4,986,559	5,090,886	-2.05%
Total assets	<u>9,046,956</u>	<u>9,422,079</u>	<u>40,395</u>	<u>48,197</u>	<u>9,087,351</u>	<u>9,470,276</u>	<u>-4.04%</u>
Long-term obligations	574,607	992,518	1,369	1,176	575,976	993,694	-42.04%
Other liabilities	2,594,210	2,665,332	22,168	21,760	2,616,378	2,687,092	-2.63%
Total liabilities	<u>3,168,817</u>	<u>3,657,850</u>	<u>23,537</u>	<u>22,936</u>	<u>3,192,354</u>	<u>3,680,786</u>	<u>-13.27%</u>
Net assets:							
Invested in capital assets, net of related debt	4,494,596	4,230,779	6,963	9,532	4,501,559	4,240,311	6.16%
Restricted	777,342	676,858	-	-	777,342	676,858	14.85%
Unrestricted	606,201	856,592	9,895	15,729	616,096	872,321	-29.37%
Total net assets	<u>\$ 5,878,139</u>	<u>5,764,229</u>	<u>16,858</u>	<u>25,261</u>	<u>5,894,997</u>	<u>5,789,490</u>	<u>1.82%</u>

The District's combined net assets increased by 1.82% or \$105,507 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$100,484 or 14.85% from the prior year. The increase in restricted net assets is due in part to the increase in fund balance for the Capital Project Accounts as well as the increase in carryover categorical funding balances.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$256,225 or 29.37%. The decrease in unrestricted net assets is mainly attributable to the decrease in carryover fund balance for the General Fund.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 473,326	605,254	100,939	101,173	574,265	706,427	-18.71%
Operating grants, contributions and restricted interest	891,197	580,790	168,297	166,804	1,059,494	747,594	41.72%
Capital grants, contributions and restricted interest	-	14,179	-	-	-	14,179	-100.00%
General revenues:							
Property tax	2,069,227	2,031,606	-	-	2,069,227	2,031,606	1.85%
Income surtax	166,477	162,944	-	-	166,477	162,944	2.17%
Statewide sales, services and use tax	403,296	352,125	-	-	403,296	352,125	14.53%
Unrestricted state grants	2,283,323	2,500,943	-	-	2,283,323	2,500,943	-8.70%
Nonspecific program federal grants	1,627	164,685	-	-	1,627	164,685	-99.01%
Unrestricted investment earnings	702	2,070	21	72	723	2,142	-66.25%
Other	118,133	113,306	9,569	724	127,702	114,030	11.99%
Total revenues	6,407,308	6,527,902	278,826	268,773	6,686,134	6,796,675	-1.63%
Program expenses:							
Governmental activities:							
Instructional	3,643,404	3,709,234	-	-	3,643,404	3,709,234	-1.77%
Support services	2,214,978	1,823,123	4,828	2,973	2,219,806	1,826,096	21.56%
Non-instructional programs	-	-	282,401	270,729	282,401	270,729	4.31%
Long-term debt interest	24,954	32,006	-	-	24,954	32,006	-22.03%
Other expenses	410,062	437,528	-	-	410,062	437,528	-6.28%
Total expenses	6,293,398	6,001,891	287,229	273,702	6,580,627	6,275,593	4.86%
Change in net assets	113,910	526,011	(8,403)	(4,929)	105,507	521,082	79.75%
Net assets beginning of year	5,764,229	5,238,218	25,261	30,190	5,789,490	5,268,408	9.89%
Net assets end of year	\$ 5,878,139	5,764,229	16,858	25,261	5,894,997	5,789,490	1.82%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 76.82% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 96.56% of the revenue from business type activities.

The District's total revenues were approximately \$6.69 million, of which approximately \$6.41 million was for governmental activities and approximately \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.63% decrease in revenues and a 4.86% increase in expenses. Property tax increased \$37,621 to fund the increase in expenses. The increase in expenses was related to increased expenses in the support services functional area.

### Governmental Activities

Revenues for governmental activities were \$6,407,308 and expenses were \$6,293,398. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, long-term debt interest and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 3,643,404	3,709,234	-1.77%	2,501,664	2,763,158	-9.46%
Support services	2,214,978	1,823,123	21.49%	2,188,079	1,790,683	22.19%
Long-term debt interest	24,954	32,006	-22.03%	24,954	32,006	-22.03%
Other expenses	410,062	437,528	-6.28%	214,178	215,821	-0.76%
Totals	<u>\$ 6,293,398</u>	<u>6,001,891</u>	<u>4.86%</u>	<u>4,928,875</u>	<u>4,801,668</u>	<u>2.65%</u>

- The cost financed by users of the District's programs was \$473,326.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$891,197.
- The net cost of governmental activities was financed with \$2,069,227 in property tax, \$166,477 in income surtax, \$403,296 in statewide sales, services and use tax, \$2,283,323 in unrestricted state grants, \$1,627 in nonspecific program federal grants, \$702 in interest income, and \$118,133 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$278,826 and expenses were \$287,229. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,311,689, below last year's ending fund balances of a \$1,519,171. The primary reason for the decrease was the decrease in the General Fund carryover balance.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the product of many factors. Decreased revenues from local and federal sources combined with increased expenditures in the support services functional area produced the decrease in fund balance.
- The Capital Projects Accounts balance increased from a balance of \$358,359 at the beginning of fiscal year 2012 to \$397,975 at the end of fiscal year 2012.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$25,261 at June 30, 2011 to \$16,858 at June 30, 2012, representing a decrease of 33.26%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$702,071 less than budgeted revenues, a variance of 9.51%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures in the support services functional area exceeded the amount budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, the District had invested approximately \$4.98 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.05% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$332,121.

The original cost of the District's capital assets was \$9,337,330. Governmental funds account for \$9,215,583 with the remainder of \$121,747 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$242,974 at June 30, 2012 compared to \$260,275 at June 30, 2011. The decrease in machinery and equipment is due to depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 34,900	34,900	-	-	34,900	34,900	0.00%
Buildings	4,455,754	4,539,729	-	-	4,455,754	4,539,729	-1.85%
Land improvements	252,931	255,982	-	-	252,931	255,982	-1.19%
Machinery and equipment	236,011	250,743	6,963	9,532	242,974	260,275	-6.65%
Total	<u>\$ 4,979,596</u>	<u>5,081,354</u>	<u>6,963</u>	<u>9,532</u>	<u>4,986,559</u>	<u>5,090,886</u>	<u>-2.05%</u>

### Long-Term Debt

At June 30, 2012, the District had long-term debt outstanding of \$575,976 in revenue bonds and other long-term debt outstanding. This represents a decrease of 42.04% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding revenue bonds payable of \$485,000 at June 30, 2012.

The District had early retirement payable of \$46,546 at June 30, 2012.

The District had a net OPEB liability of \$44,430 at June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ -	195,000	-	-	-	195,000	-100.00%
Revenue bonds	485,000	545,000	-	-	485,000	545,000	-11.01%
Computer lease	-	110,575	-	-	-	110,575	-100.00%
Early retirement	46,546	104,962	-	-	46,546	104,962	-55.65%
Net OPEB liability	43,061	36,981	1,369	1,176	44,430	38,157	16.44%
Total	<u>\$ 574,607</u>	<u>992,518</u>	<u>1,369</u>	<u>1,176</u>	<u>575,976</u>	<u>993,694</u>	<u>-42.04%</u>

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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:

- Low allowable growth over several years and enrollment decreases could negatively impact the District's spending authority if not addressed timely and appropriately. Administration has made many efforts over the past several years to minimize the negative impact by making the necessary adjustments in the budget before the next year's budget is set and has made cuts when necessary to avoid a drop in unspent balance. The District will continue to consider changes in contracts and programs in order to maintain a healthy unspent budget authority.
- With the state passing the statewide equalization of the Sales and Service Tax on a "per student basis" for each district, the amount we receive per student continues to increase annually. With the debt on the middle school addition being paid in full in 2012, of which half was paid through the Sales and Service Tax Fund, the only debt remaining for the district is the revenue bond issued to build the new preschool building. As revenues in the sales and service tax increases and debt decreases, it will generate more dollars to put toward maintaining and building infrastructure and purchasing technology for the District. This in turn could allow more flexibility for the General Fund in the future.

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

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

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,665,126	16,857	1,681,983
Receivables:			
Property tax:			
Delinquent	32,807	-	32,807
Succeeding year	1,960,894	-	1,960,894
Income surtax	161,461	-	161,461
Accounts	10,872	406	11,278
Due from other funds	-	8,700	8,700
Due from other governments	236,200	-	236,200
Inventories	-	7,469	7,469
Capital assets, net of accumulated depreciation	4,979,596	6,963	4,986,559
<b>Total Assets</b>	<b>9,046,956</b>	<b>40,395</b>	<b>9,087,351</b>
<b>Liabilities</b>			
Accounts payable	124,091	28	124,119
Due to other funds	8,700	-	8,700
Salaries and benefits payable	500,525	19,500	520,025
Deferred revenue:			
Succeeding year property tax	1,960,894	-	1,960,894
Unearned revenue	-	2,640	2,640
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	65,000	-	65,000
Early retirement	46,546	-	46,546
Portion due after one year:			
Revenue bonds payable	420,000	-	420,000
Net OPEB liability	43,061	1,369	44,430
<b>Total liabilities</b>	<b>3,168,817</b>	<b>23,537</b>	<b>3,192,354</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,494,596	6,963	4,501,559
Restricted for:			
Categorical funding	96,212	-	96,212
Debt service	93,894	-	93,894
Management levy purposes	98,865	-	98,865
Student activities	90,396	-	90,396
School infrastructure	341,374	-	341,374
Physical plant and equipment	56,601	-	56,601
Unrestricted	606,201	9,895	616,096
<b>Total Net Assets</b>	<b>\$ 5,878,139</b>	<b>16,858</b>	<b>5,894,997</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,918,402	207,308	52,083	(1,659,011)	-	(1,659,011)
Special	781,125	31,730	62,080	(687,315)	-	(687,315)
Other	943,877	221,370	567,169	(155,338)	-	(155,338)
	<u>3,643,404</u>	<u>460,408</u>	<u>681,332</u>	<u>(2,501,664)</u>	<u>-</u>	<u>(2,501,664)</u>
Support services:						
Student	141,040	-	13,338	(127,702)	-	(127,702)
Instructional staff	576,397	-	-	(576,397)	-	(576,397)
Administration	617,076	-	-	(617,076)	-	(617,076)
Operation and maintenance of plant	623,191	-	-	(623,191)	-	(623,191)
Transportation	257,274	12,918	643	(243,713)	-	(243,713)
	<u>2,214,978</u>	<u>12,918</u>	<u>13,981</u>	<u>(2,188,079)</u>	<u>-</u>	<u>(2,188,079)</u>
Long-term debt interest	24,954	-	-	(24,954)	-	(24,954)
Other expenses:						
AEA flowthrough	195,884	-	195,884	-	-	-
Depreciation(unallocated)*	214,178	-	-	(214,178)	-	(214,178)
	<u>410,062</u>	<u>-</u>	<u>195,884</u>	<u>(214,178)</u>	<u>-</u>	<u>(214,178)</u>
Total governmental activities	6,293,398	473,326	891,197	(4,928,875)	-	(4,928,875)
Business type activities:						
Support services:						
Operation and maintenance of plant	4,828	-	-	-	(4,828)	(4,828)
Non-instructional programs:						
Nutrition services	282,401	100,939	168,297	-	(13,165)	(13,165)
Total business type activities	<u>287,229</u>	<u>100,939</u>	<u>168,297</u>	<u>-</u>	<u>(17,993)</u>	<u>(17,993)</u>
Total	\$ 6,580,627	574,265	1,059,494	(4,928,875)	(17,993)	(4,946,868)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,944,113	-	1,944,113
Capital outlay				72,736	-	72,736
Debt service				52,378	-	52,378
Income surtax				166,477	-	166,477
Statewide sales, services and use tax				403,296	-	403,296
Unrestricted state grants				2,283,323	-	2,283,323
Nonspecific program federal grants				1,627	-	1,627
Unrestricted investment earnings				702	21	723
Other				118,133	9,569	127,702
Total general revenues				<u>5,042,785</u>	<u>9,590</u>	<u>5,052,375</u>
Change in net assets				113,910	(8,403)	105,507
Net assets beginning of year				<u>5,764,229</u>	<u>25,261</u>	<u>5,789,490</u>
Net assets end of year				<u>\$ 5,878,139</u>	<u>16,858</u>	<u>5,894,997</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 1,096,950	240,491	327,685	1,665,126
Receivables:				
Property tax:				
Delinquent	27,653	1,152	4,002	32,807
Succeeding year	1,686,275	49,619	225,000	1,960,894
Income surtax	161,461	-	-	161,461
Accounts	9,454	-	1,418	10,872
Due from other funds	25,000	-	-	25,000
Due from other governments	54,100	181,332	768	236,200
<b>Total Assets</b>	<b>\$ 3,060,893</b>	<b>472,594</b>	<b>558,873</b>	<b>4,092,360</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 111,498	-	12,593	124,091
Due to other funds	8,700	25,000	-	33,700
Salaries and benefits payable	500,525	-	-	500,525
Deferred revenue:				
Succeeding year property tax	1,686,275	49,619	225,000	1,960,894
Income surtax	161,461	-	-	161,461
Total liabilities	2,468,459	74,619	237,593	2,780,671
Fund Balances:				
Restricted for:				
Categorical funding	96,212	-	-	96,212
Debt service	-	-	93,894	93,894
Management levy purposes	-	-	145,411	145,411
Student activities	-	-	90,396	90,396
School infrastructure	-	341,374	-	341,374
Physical plant and equipment	-	56,601	-	56,601
Unassigned:				
General	496,222	-	-	496,222
Student activities	-	-	(8,421)	(8,421)
Total fund balances	592,434	397,975	321,280	1,311,689
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,060,893</b>	<b>472,594</b>	<b>558,873</b>	<b>4,092,360</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

**Total fund balances of governmental funds(page 20)** \$ 1,311,689

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

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported as  
 assets in the governmental funds. 4,979,596

Accounts receivable income surtax, are not yet available  
 to finance expenditures of the current fiscal period. 161,461

Long-term liabilities, including revenue bonds payable,  
 early retirement payable and other postemployment  
 benefits payable, are not due and payable in the current  
 period and, therefore, are not reported as liabilities  
 in the governmental funds. (574,607)

**Net assets of governmental activities(page 18)** \$ 5,878,139

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,915,664	332,232	252,474	2,500,370
Tuition	78,794	-	-	78,794
Other	282,810	52	234,201	517,063
State sources	2,953,515	143,800	-	3,097,315
Federal sources	218,936	-	-	218,936
<b>Total revenues</b>	<b>5,449,719</b>	<b>476,084</b>	<b>486,675</b>	<b>6,412,478</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	1,872,446	-	104,962	1,977,408
Special	781,125	-	-	781,125
Other	706,481	-	225,008	931,489
	<b>3,360,052</b>	<b>-</b>	<b>329,970</b>	<b>3,690,022</b>
Support services:				
Student	140,882	-	-	140,882
Instructional staff	532,860	-	-	532,860
Administration	612,016	-	-	612,016
Operation and maintenance of plant	485,465	-	95,763	581,228
Transportation	258,559	-	12,435	270,994
	<b>2,029,782</b>	<b>-</b>	<b>108,198</b>	<b>2,137,980</b>
Capital outlay	-	200,986	-	200,986
Long-term debt:				
Principal	-	-	365,575	365,575
Interest and fiscal charges	-	-	35,363	35,363
	<b>-</b>	<b>-</b>	<b>400,938</b>	<b>400,938</b>
Other expenditures:				
AEA flowthrough	195,884	-	-	195,884
<b>Total expenditures</b>	<b>5,585,718</b>	<b>200,986</b>	<b>839,106</b>	<b>6,625,810</b>
Excess(Deficiency) of revenues over(under) expenditures	(135,999)	275,098	(352,431)	(213,332)
Other financing sources(uses):				
Sale of equipment	5,850	-	-	5,850
Transfer in	-	-	306,057	306,057
Transfer out	(70,575)	(235,482)	-	(306,057)
<b>Total other financing sources(uses)</b>	<b>(64,725)</b>	<b>(235,482)</b>	<b>306,057</b>	<b>5,850</b>
Net change in fund balances	(200,724)	39,616	(46,374)	(207,482)
Fund balances beginning of year	793,158	358,359	367,654	1,519,171
Fund balances end of year	<b>\$ 592,434</b>	<b>397,975</b>	<b>321,280</b>	<b>1,311,689</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 21) \$ (207,482)

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

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

Expenditures for capital assets	\$ 257,002	
Depreciation expense	(329,552)	
Loss on disposal of capital assets	<u>(29,208)</u>	(101,758)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (5,170)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 365,575

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 10,409

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 fund.

Early retirement	58,416	
Other postemployment benefits	<u>(6,080)</u>	<u>52,336</u>

Changes in net assets of governmental activities(page 18) \$ 113,910

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 16,857
Accounts receivable	406
Due from other funds	8,700
Inventories	7,469
Capital assets, net of accumulated depreciation	6,963
<b>Total Assets</b>	<u>40,395</u>
<b>Liabilities</b>	
Accounts payable	28
Salaries and benefits payable	19,500
Unearned revenue	2,640
Net OPEB liability	1,369
<b>Total liabilities</b>	<u>23,537</u>
<b>Net Assets</b>	
Invested in capital assets	6,963
Unrestricted	9,895
<b>Total Net Assets</b>	<u>\$ 16,858</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 100,939
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	4,828
Non-instructional programs:	
Food service operations:	
Salaries	97,818
Benefits	26,155
Services	170
Supplies	153,058
Other	2,631
Depreciation	2,569
	282,401
Total operating expenses	287,229
Operating loss	(186,290)
Non-operating revenues:	
Interest income	21
State sources	2,728
Federal sources	165,569
Total non-operating revenues	168,318
Change in net assets before other financing sources	(17,972)
Other financing sources:	
Insurance proceeds	9,569
Change in net assets	(8,403)
Net assets beginning of year	25,261
Net assets end of year	\$ 16,858

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 100,984
Cash payments to employees for services	(123,412)
Cash payments to suppliers for goods or services	(140,498)
Net cash used in operating activities	(162,926)
Cash flows from non-capital financing activities:	
Interfund repayments	(8,700)
Insurance proceeds	9,569
State grants received	2,728
Federal grants received	146,050
Net cash provided by non-capital financing activities	149,647
Cash flows from investing activities:	
Interest on investments	21
Net decrease in cash and cash equivalents	(13,258)
Cash and cash equivalents beginning of year	30,115
Cash and cash equivalents end of year	\$ 16,857
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (186,290)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,519
Depreciation	2,569
Decrease in inventories	937
Increase in accounts receivable	(262)
Decrease in accounts payable	(267)
Increase in salaries and benefits payable	368
Increase in unearned revenue	307
Increase in net OPEB liability	193
Net cash used by operating activities	\$ (162,926)

**Non-cash investing, capital and related financing:**

During the year ended June 30, 2012, the District received federal commodities valued at \$19,519.

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	Private Purpose Trust	Agency
	Scholarship	
<b>Assets</b>		
Cash and pooled investments	\$ 2,030	-
Due from other governments	-	25,768
<b>Total Assets</b>	2,030	25,768
<b>Liabilities</b>		
Due to other governments	-	25,768
<b>Net Assets</b>		
Unrestricted	\$ 2,030	-

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**(1) Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund 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.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the support services functional area exceeded the budgeted amount.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,309,149 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Due From and Due To Other Funds**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects: Statewide Sales, Services and Use Tax Fund	25,000
Nutrition Fund	General Fund	8,700
Total		<u>\$ 33,700</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for allowable sales tax expenditures that the General Fund paid for.

The General Fund is repaying the Nutrition Fund for salaries and benefits.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	General Fund	\$ 70,575
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax Fund	235,482
Total		<u>\$ 306,057</u>

The transfer from the General Fund to the Debt Service Fund was needed to make the General Fund's portion of the final payment on the Apple Computer lease.

The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the following purposes:

Sales tax portion of the final payment on Apple Computer lease	\$ 40,000
Revenue bond payments per bond requirements	81,592
General obligation bond payments per 2003 voter approved ballot	113,890
Total	<u>\$ 235,482</u>

**(5) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 34,900	-	-	34,900
Total capital assets not being depreciated	<u>34,900</u>	<u>-</u>	<u>-</u>	<u>34,900</u>
Capital assets being depreciated:				
Buildings	7,098,650	140,244	56,170	7,182,724
Land improvements	697,139	16,116	-	713,255
Machinery and equipment	1,232,858	100,642	48,796	1,284,704
Total capital assets being depreciated	<u>9,028,647</u>	<u>257,002</u>	<u>104,966</u>	<u>9,180,683</u>
Less accumulated depreciation for:				
Buildings	2,558,921	195,011	26,962	2,726,970
Land improvements	441,157	19,167	-	460,324
Machinery and equipment	982,115	115,374	48,796	1,048,693
Total accumulated depreciation	<u>3,982,193</u>	<u>329,552</u>	<u>75,758</u>	<u>4,235,987</u>
Total capital assets being depreciated, net	<u>5,046,454</u>	<u>(72,550)</u>	<u>29,208</u>	<u>4,944,696</u>
Governmental activities capital assets, net	<u>\$ 5,081,354</u>	<u>(72,550)</u>	<u>29,208</u>	<u>4,979,596</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 121,747	-	-	121,747
Less accumulated depreciation	112,215	2,569	-	114,784
Business type activities capital assets, net	<u>\$ 9,532</u>	<u>(2,569)</u>	<u>-</u>	<u>6,963</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 6,947
Other	12,388
Support services:	
Instructional staff	23,286
Administration	3,982
Operation and maintenance	9,096
Transportation	59,675
	<u>115,374</u>
Unallocated depreciation	<u>214,178</u>
Total governmental activities depreciation expense	<u>329,552</u>
Business type activities:	
Food service operations	<u>\$ 2,569</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 195,000	-	195,000	-	-
Revenue bonds	545,000	-	60,000	485,000	65,000
Computer lease	110,575	-	110,575	-	-
Early retirement	104,962	46,546	104,962	46,546	46,546
Net OPEB liability	36,981	6,080	-	43,061	-
Total	\$ 992,518	52,626	470,537	574,607	111,546
<b>Business type activities:</b>					
Net OPEB liability	\$ 1,176	193	-	1,369	-

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	2.75	65,000	17,449	82,449
2014	3.00	70,000	15,505	85,505
2015	3.50	70,000	13,230	83,230
2016	4.00	70,000	10,605	80,605
2017	4.25	70,000	7,718	77,718
2018	4.40	70,000	4,690	74,690
2019	4.50	70,000	1,575	71,575
Total		\$ 485,000	70,772	555,772

The District has pledged future statewide sales, services and use tax revenues to repay the \$595,000 of bonds issued in September 2009. The bonds were issued for the purpose of financing a portion of the costs of the preschool building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$555,772. For the current year, \$60,000 of principal and \$29,014 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$403,296.

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

- (a) \$59,500 shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) The District will make monthly transfers from the Capital Projects Fund depositing money into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Early Retirement

The District offers a voluntary early retirement plan to all licensed teaching employees. Eligible employees must be at least age 55 on or before June 30<sup>th</sup> of the retirement year. Eligible employees must have been a teacher with the District for at least 15 years, with a minimum of 10 consecutive years immediately preceding the date of retirement. Applicants must submit a written resignation with the application for early retirement benefits which are contingent upon approval by the Board of Education. The early retirement incentive for each eligible teacher is a one-time payment equal to the difference between the employee's salary for the last year of employment and the salary amount of step 5 of the B.A. lane of the same salary schedule.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$262,707, \$233,631, and \$215,454 respectively, equal to the required contributions for each year.

**(8) 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 89 active and 3 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 48,000
Interest on net OPEB obligation	1,717
Adjustment to annual required contribution	(1,444)
Annual OPEB cost	<u>48,273</u>
Contributions made	<u>(42,000)</u>
Increase in net OPEB obligation	6,273
Net OPEB obligation beginning of year	<u>38,157</u>
Net OPEB obligation end of year	<u><u>\$ 44,430</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$42,000 to the medical plan. Retired members eligible for the plan contributed \$0 or 0% of the premium costs.

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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 48,000	54.17%	\$ 22,000
2011	48,157	66.45%	38,157
2012	48,273	87.01%	44,430

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 \$502,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$502,000. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,520,921 and the ratio of the UAAL to covered payroll was 19.91%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Projected Unit Credit Cost actuarial method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate starts at 11.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Rates for Male and Female, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$509 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$195,884 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

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

Program	Amount
Beginning Teacher Mentoring and Induction Program	\$ 8,262
Teacher Salary Supplement	25,652
Market Factor	568
Professional Development for Model Core Curriculum	12,506
Professional Development	8,953
Statewide voluntary Preschool	39,660
Market Factor Incentives	611
Total	<u>\$ 96,212</u>

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the support services functional area exceeded the amount budgeted.

**(13) Deficit Balances**

At June 30, 2012, the District had seven accounts within the Student Activity Fund that had deficit unassigned balances totaling \$8,421.

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Types		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 3,096,227	100,960	3,197,187	3,380,642	3,380,642	(183,455)
State sources	3,097,315	2,728	3,100,043	3,502,164	3,502,164	(402,121)
Federal sources	218,936	165,569	384,505	501,000	501,000	(116,495)
Total revenues	6,412,478	269,257	6,681,735	7,383,806	7,383,806	(702,071)
<b>Expenditures/Expenses:</b>						
Instruction	3,690,022	-	3,690,022	4,667,342	4,667,342	977,320
Support services	2,137,980	4,828	2,142,808	2,074,668	2,074,668	(68,140)
Non-instructional programs	-	282,401	282,401	412,068	412,068	129,667
Other expenditures	797,808	-	797,808	987,090	987,090	189,282
Total expenditures/expenses	6,625,810	287,229	6,913,039	8,141,168	8,141,168	1,228,129
Excess(Deficiency) of revenues over(under) expenditures/expenses	(213,332)	(17,972)	(231,304)	(757,362)	(757,362)	526,058
Other financing sources, net	5,850	9,569	15,419	2,000	2,000	13,419
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(207,482)	(8,403)	(215,885)	(755,362)	(755,362)	539,477
Balances beginning of year	1,519,171	25,261	1,544,432	842,644	842,644	701,788
Balances end of year	\$ 1,311,689	16,858	1,328,547	87,282	87,282	1,241,265

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures in the support services functional area exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 502,000	502,000	0.00%	\$ 2,775,457	18.09%
2011	July 1, 2009	-	502,000	502,000	0.00%	2,870,309	17.49%
2012	July 1, 2009	-	502,000	502,000	0.00%	2,520,921	19.91%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 142,238	83,211	225,449	102,236	327,685
Receivables:					
Property tax:					
Delinquent	3,173	-	3,173	829	4,002
Succeeding year	225,000	-	225,000	-	225,000
Accounts	-	1,418	1,418	-	1,418
Due from other governments	-	768	768	-	768
<b>Total Assets</b>	<b>\$ 370,411</b>	<b>85,397</b>	<b>455,808</b>	<b>103,065</b>	<b>558,873</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	3,422	3,422	9,171	12,593
Deferred revenue:					
Succeeding year property tax	225,000	-	225,000	-	225,000
Total liabilities	225,000	3,422	228,422	9,171	237,593
Fund Balances:					
Restricted for:					
Debt service	-	-	-	93,894	93,894
Management levy purposes	145,411	-	145,411	-	145,411
Student activities	-	90,396	90,396	-	90,396
Unassigned	-	(8,421)	(8,421)	-	(8,421)
Total fund balances	145,411	81,975	227,386	93,894	321,280
<b>Total Liabilities and Fund Balances</b>	<b>\$ 370,411</b>	<b>85,397</b>	<b>455,808</b>	<b>103,065</b>	<b>558,873</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 200,096	-	200,096	52,378	252,474
Other	17,811	216,359	234,170	31	234,201
Total revenues	217,907	216,359	434,266	52,409	486,675
Expenditures:					
Current:					
Instruction:					
Regular	104,962	-	104,962	-	104,962
Other	-	225,008	225,008	-	225,008
Support services:					
Operation and maintenance of plant	95,763	-	95,763	-	95,763
Transportation	12,435	-	12,435	-	12,435
Long-term debt:					
Principal	-	-	-	365,575	365,575
Interest and fiscal charges	-	-	-	35,363	35,363
Total expenditures	213,160	225,008	438,168	400,938	839,106
Excess(Deficiency) of revenues over(under) expenditures	4,747	(8,649)	(3,902)	(348,529)	(352,431)
Other financing sources:					
Transfer in	-	-	-	306,057	306,057
Net change in fund balances	4,747	(8,649)	(3,902)	(42,472)	(46,374)
Fund balances beginning of year	140,664	90,624	231,288	136,366	367,654
Fund balances end of year	\$ 145,411	81,975	227,386	93,894	321,280

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 185,042	55,449	240,491
Receivables:			
Property tax:			
Delinquent	-	1,152	1,152
Succeeding year	-	49,619	49,619
Due from other governments	181,332	-	181,332
<b>Total Aseets</b>	<b>\$ 366,374</b>	<b>106,220</b>	<b>472,594</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ 25,000	-	25,000
Deferred revenue:			
Succeeding year property tax	-	49,619	49,619
Total liabilities	25,000	49,619	74,619
Fund balances:			
Restricted for:			
School infrastructure	341,374	-	341,374
Physical plant and equipment	-	56,601	56,601
Total fund balances	341,374	56,601	397,975
<b>Total Liabilities and Fund Balances</b>	<b>\$ 366,374</b>	<b>106,220</b>	<b>472,594</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 259,496	72,736	332,232
Other	42	10	52
State sources	143,800	-	143,800
Total revenues	403,338	72,746	476,084
Expenditures:			
Current:			
Capital outlay	127,486	73,500	200,986
Total expenditures	127,486	73,500	200,986
Excess(Deficiency) of revenues over(under) expenditures	275,852	(754)	275,098
Other financing uses:			
Transfer out	(235,482)	-	(235,482)
Net change in fund balances	40,370	(754)	39,616
Fund balances beginning of year	301,004	57,355	358,359
Fund balances end of year	\$ 341,374	56,601	397,975

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE ACCOUNTS  
 JUNE 30, 2012

	Debt Service		
	Debt Service	Debt Sinking- Preschool Bonds	Total
<b>Assets</b>			
Cash and pooled investments	\$ 869	101,367	102,236
Receivables:			
Property tax:			
Delinquent	829	-	829
<b>Total Assets</b>	<b>\$ 1,698</b>	<b>101,367</b>	<b>103,065</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	-	9,171	9,171
Fund Balances:			
Restricted for:			
Debt service	1,698	92,196	93,894
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,698</b>	<b>101,367</b>	<b>103,065</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 DEBT SERVICE ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Debt Service		
	Debt Service	Debt Sinking- Preschool Bonds	Total
Revenues:			
Local sources:			
Local tax	\$ 52,378	-	52,378
Other	10	21	31
Total revenues	52,388	21	52,409
Expenditures:			
Long-term debt:			
Principal	305,575	60,000	365,575
Interest and fiscal charges	6,349	29,014	35,363
Total expenditures	311,924	89,014	400,938
Deficiency of revenues under expenditures	(259,536)	(88,993)	(348,529)
Other financing sources:			
Transfer in	224,464	81,593	306,057
Net change in fund balances	(35,072)	(7,400)	(42,472)
Fund balaces beginning year	36,770	99,596	136,366
Fund balances end of year	\$ 1,698	92,196	93,894

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>HS Athletics:</b>				
Football	\$ 10,812	10,743	14,166	7,389
Volleyball	3,907	11,049	12,101	2,855
Basketball	11,477	23,075	26,272	8,280
Wrestling	1,680	3,494	2,936	2,238
Track	(3,920)	3,071	4,893	(5,742)
Softball	(749)	4,750	4,099	(98)
Baseball	(1,599)	7,339	7,201	(1,461)
Golf	-	1,697	1,697	-
Cross Country	-	614	614	-
	<u>21,608</u>	<u>65,832</u>	<u>73,979</u>	<u>13,461</u>
<b>HS Clubs &amp; Organizations:</b>				
FFA	9,206	12,524	12,278	9,452
FCCLA	1,286	2,878	2,674	1,490
Iron Man Club	73	-	-	73
NHS	188	67	272	(17)
Student Council	1,117	6,355	2,700	4,772
SADOBS	1,963	3,507	4,175	1,295
Instrumental Club	(698)	695	5	(8)
Vocal	100	477	511	66
Swish and Spike Club	5,638	13,007	11,641	7,004
BPA	2,089	8,585	7,318	3,356
Yearbook #2	6,348	5,100	5,216	6,232
Bulldog Club	5,757	6,368	5,038	7,087
Cheerleaders	190	13,691	14,561	(680)
Art	791	945	1,215	521
Musical	1,112	-	-	1,112
Music Club	4	-	-	4
Class of 2011	3,430	-	3,430	-
Class of 2012	5,544	4,591	10,550	(415)
Class of 2013	815	19,019	13,550	6,284
Class of 2014	1,105	-	66	1,039
Class of 2015	1,288	-	88	1,200
Class of 2016	1,000	400	148	1,252
Class of 2017	500	400	-	900
Class of 2018	-	400	-	400
Senior Cheers	2	-	-	2
	<u>48,848</u>	<u>99,009</u>	<u>95,436</u>	<u>52,421</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>MS Athletics:</b>				
Volleyball	2,027	943	475	2,495
Basketball	1,140	3,855	2,387	2,608
Wrestling	1,026	386	419	993
Track	1,077	4,374	3,604	1,847
Softball	546	1,073	605	1,014
Baseball	1,004	540	523	1,021
Football	1,255	2,598	3,026	827
	<u>8,075</u>	<u>13,769</u>	<u>11,039</u>	<u>10,805</u>
<b>MS Clubs &amp; Organizations:</b>				
Student Council	2	247	247	2
Magazine Sales	-	5,044	5,044	-
Yearbook	(183)	340	-	157
	<u>(181)</u>	<u>5,631</u>	<u>5,291</u>	<u>159</u>
<b>Elementary Clubs &amp; Organizations:</b>				
PTK Club	112	-	-	112
K-8 Book Fair	413	4,951	5,364	-
Teachers	1	29	30	-
Student Council	3,596	9,299	9,847	3,048
Yearbook	(205)	1,440	981	254
	<u>3,917</u>	<u>15,719</u>	<u>16,222</u>	<u>3,414</u>
<b>District-wide Accounts:</b>				
Great Race	560	-	-	560
Activity Tickets	-	4,875	4,875	-
Interest	-	714	714	-
Field Trips	4	1,165	1,165	4
After Prom	-	9,645	8,494	1,151
Accruals	7,793	-	7,793	-
	<u>8,357</u>	<u>16,399</u>	<u>23,041</u>	<u>1,715</u>
Total	<u>\$ 90,624</u>	<u>216,359</u>	<u>225,008</u>	<u>81,975</u>

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Due from other governments	\$ 26,324	41,539	42,095	25,768
<b>Liabilities</b>				
Due to other governments	\$ 26,324	41,539	42,095	25,768

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,500,370	2,544,792	2,271,969	2,189,075	1,818,678	1,944,692	1,924,607	1,916,676	1,715,835
Tuition	78,794	335,687	221,228	216,740	363,870	346,398	288,236	286,952	226,566
Other	517,063	388,455	440,045	352,602	385,081	323,980	265,122	223,187	255,583
Intermediate sources	-	-	-	-	-	-	-	-	13,842
State sources	3,097,315	2,766,156	2,614,341	3,044,096	2,785,092	2,449,830	2,434,906	2,448,145	2,387,939
Federal sources	218,936	490,929	616,230	251,236	208,021	213,966	215,985	276,921	202,782
Total	<u>6,412,478</u>	<u>6,526,019</u>	<u>6,163,813</u>	<u>6,053,749</u>	<u>5,560,742</u>	<u>5,278,866</u>	<u>5,128,856</u>	<u>5,151,881</u>	<u>4,802,547</u>
Expenditures:									
Instruction:									
Regular	\$ 1,977,408	1,742,373	1,820,818	1,814,620	1,815,059	1,714,689	1,742,618	1,685,586	1,827,291
Special	781,125	801,094	850,496	835,506	709,680	726,034	668,187	631,157	681,621
Other	931,489	1,036,121	918,619	821,648	780,242	714,355	692,015	699,544	461,861
Support services:									
Student	140,882	136,583	163,925	142,692	126,673	118,310	125,990	119,110	126,943
Instructional staff	532,860	256,017	587,662	292,182	228,841	163,211	154,620	145,669	66,160
Administration	612,016	586,105	528,081	646,844	609,434	576,913	541,728	470,936	516,767
Operation and maintenance of plant	581,228	496,039	593,996	492,826	461,171	437,604	419,410	473,976	362,397
Transportation	270,994	250,859	260,347	225,908	210,096	217,959	197,344	205,110	174,590
Other support	-	-	-	-	-	-	-	-	64,068
Capital outlay	200,986	385,248	481,146	350,191	243,782	155,833	189,443	86,976	56,448
Long-term debt:									
Principal	365,575	355,574	295,574	260,000	195,000	190,000	185,000	180,000	180,000
Interest and other charges	35,363	32,993	24,598	27,305	32,285	37,320	41,365	45,377	194,065
Other expenditures:									
AEA flow-through	195,884	221,707	219,708	198,108	166,539	163,878	159,486	159,710	161,018
Total	<u>\$ 6,625,810</u>	<u>6,300,713</u>	<u>6,744,970</u>	<u>6,107,830</u>	<u>5,578,802</u>	<u>5,216,106</u>	<u>5,117,206</u>	<u>4,903,151</u>	<u>4,873,229</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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

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

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

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2013

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTRAL DEFICIENCY:**

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-12 Certified Budget - During the year ended June 30, 2012, District expenditures in the support services functional area exceeded the budgeted amount.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will monitor the budget more closely in the spring and amend the budget if it looks like we will exceed it by the amendment deadline in the future.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted during our audit that the District purchased gift cards to give to guest speakers as an appreciation gifts. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. It appears that gift cards as appreciation gifts also do not allow the District's Board of Directors to audit and allow the final purchases made according to Chapter 279.29 of the Code of Iowa.

Recommendation - The District should discontinue giving gift cards as gifts to be in compliance with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.

Response - We will no longer be issuing gift cards to guest speakers as appreciation gifts.

Conclusion - Response accepted.

II-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.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lorna Bucher, Teacher Owner of Godfathers Pizza	Supplies	\$427
Cheryl Johnson, Secretary	Cleaning	\$25

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

II-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.

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-12 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the

Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$ 301,004
Revenues:		
Sales tax revenues	\$ 259,497	
School infrastructure supplemental amount	143,800	
Other local revenues	42	403,339
		704,343
Expenditures/transfers out:		
School infrastructure construction	\$ 74,327	
Equipment	16,392	
Other	36,768	
Transfers to other funds:		
Debt service fund	235,482	362,969
		362,969
Ending Balance		\$ 341,374

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:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.72285	\$ 113,890

II-M-12 Deficit Accounts - At June 30, 2012, the District had seven accounts within the Student Activity Fund that had deficit unassigned balances totaling \$8,421.

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

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

Conclusion - Response accepted.