

BEDFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Layne Thornton	President	2013
Mike Irvin	Vice President	2013
Jack Spencer	Board Member	2015
Roger Ritchie	Board Member	2015
Joe Murphy	Board Member	2015
School Officials		
Joe Drake	Superintendent	2013
Sharon Hart	District Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013

**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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District, Bedford, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2014 on our consideration of Bedford Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering Bedford Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bedford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,455,569 in fiscal 2012 to \$5,389,683 in fiscal 2013, while General Fund expenditures decreased from \$5,656,293 in fiscal 2012 to \$5,444,334 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$592,434 at June 30, 2012 to a balance of \$537,783 at June 30, 2013, a 9.22% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local and state sources of revenue in fiscal 2013. The decrease in expenditures was due mainly in part to decreased 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 Position and a Statement of Activities. These provide information about the activities of Bedford Community School District as a whole and present an overall view of the District's finances.

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

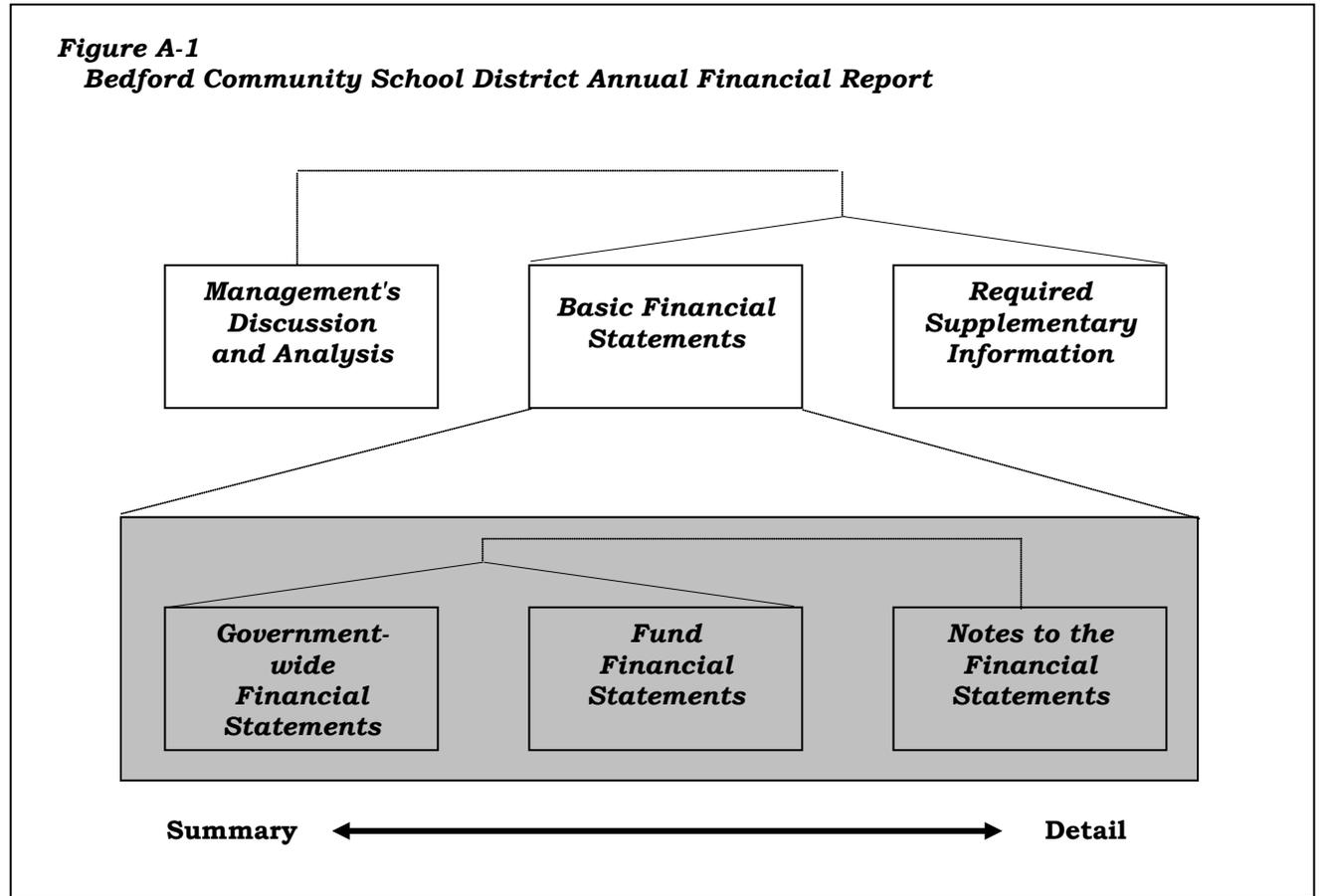


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets 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 position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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's Enterprise Fund is the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,275,935	4,067,360	36,256	33,432	4,312,191	4,100,792	5.16%
Capital assets	4,950,893	4,979,596	7,346	6,963	4,958,239	4,986,559	-0.57%
Total assets	9,226,828	9,046,956	43,602	40,395	9,270,430	9,087,351	2.01%
Long-term obligations	478,896	574,607	1,104	1,369	480,000	575,976	-16.66%
Other liabilities	2,638,421	2,594,210	19,796	22,168	2,658,217	2,616,378	1.60%
Total liabilities	3,117,317	3,168,817	20,900	23,537	3,138,217	3,192,354	-1.70%
Net position:							
Invested in capital assets, net of related debt	4,530,893	4,494,596	7,346	6,963	4,538,239	4,501,559	0.81%
Restricted	999,798	777,342	-	-	999,798	777,342	28.62%
Unrestricted	578,820	606,201	15,356	9,895	594,176	616,096	-3.56%
Total net position	\$ 6,109,511	5,878,139	22,702	16,858	6,132,213	5,894,997	4.02%

The District's combined net position increased by 4.02%, or \$237,216 compared to the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$222,456, or 28.62% from the prior year. The increase in restricted net position is due in part to the increase in fund balance for the Capital Project accounts balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$21,920 or 3.56%. The decrease in unrestricted net position is mainly attributable to the decrease in the fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 474,379	473,326	106,128	100,939	580,507	574,265	1.09%
Operating grants, contributions and restricted interest	508,283	891,197	168,791	168,297	677,074	1,059,494	-36.09%
Capital grants, contributions and restricted interest	15,400	-	-	-	15,400	-	100.00%
General revenues:							
Property tax	1,962,683	2,069,227	-	-	1,962,683	2,069,227	-5.15%
Income surtax	189,537	166,477	-	-	189,537	166,477	13.85%
Statewide sales, services and use tax	437,335	403,296	-	-	437,335	403,296	8.44%
Unrestricted state grants	2,568,404	2,283,323	-	-	2,568,404	2,283,323	12.49%
Nonspecific program federal grants	-	1,627	-	-	-	1,627	-100.00%
Unrestricted investment earnings	1,137	702	-	21	1,137	723	57.26%
Other	94,281	118,133	652	9,569	94,933	127,702	-25.66%
Total revenues	<u>6,251,439</u>	<u>6,407,308</u>	<u>275,571</u>	<u>278,826</u>	<u>6,527,010</u>	<u>6,686,134</u>	<u>-2.38%</u>
Program expenses:							
Instructional	3,657,076	3,643,404	-	-	3,657,076	3,643,404	0.38%
Support services	1,930,945	2,214,978	21	4,828	1,930,966	2,219,806	-13.01%
Non-instructional programs	-	-	269,706	282,401	269,706	282,401	-4.50%
Other expenses	432,046	435,016	-	-	432,046	435,016	-0.68%
Total expenses	<u>6,020,067</u>	<u>6,293,398</u>	<u>269,727</u>	<u>287,229</u>	<u>6,289,794</u>	<u>6,580,627</u>	<u>-4.42%</u>
Change in net position	231,372	113,910	5,844	(8,403)	237,216	105,507	-124.83%
Net position beginning of year	<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>
Net position end of year	<u>\$ 6,109,511</u>	<u>5,878,139</u>	<u>22,702</u>	<u>16,858</u>	<u>6,132,213</u>	<u>5,894,997</u>	<u>4.02%</u>

In fiscal 2013, property tax and unrestricted state grants accounted for 75.47% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$6.53 million, of which approximately \$6.25 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 2.38% decrease in revenues and a 4.42% decrease in expenses. The decrease in expenses was related to decreased expenses in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$6,251,439 and expenses were \$6,020,067.

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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,657,076	3,643,404	0.38%	3,065,816	2,501,664	22.55%
Support services	1,930,945	2,214,978	-12.82%	1,718,982	2,188,079	-21.44%
Other expenses	432,046	435,016	-0.68%	237,207	239,132	-0.80%
Totals	<u>\$ 6,020,067</u>	<u>6,293,398</u>	<u>-4.34%</u>	<u>5,022,005</u>	<u>4,928,875</u>	<u>1.89%</u>

For year ended June 30, 2013:

- The cost financed by users of the District's programs was \$474,379.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$508,283.
- The net cost of governmental activities was financed with \$1,962,683 in property tax, \$189,537 in income surtax, \$437,335 in statewide sales, services and use tax, \$2,755,465 in unrestricted state grants, \$1,137 in interest income, and \$94,933 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$275,571 and expenses were \$269,727. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,465,934, above last year's ending fund balances of a \$1,311,689. The primary reason for the increase was the increase in the Capital Projects accounts balance.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. This is primarily due to decreased revenues from local and state sources. The decrease in revenues was more than the decrease in expenses resulting in a decrease in the General Fund balance from \$592,434 at June 30, 2012 to \$537,783 at June 30, 2013.
- The Capital Projects accounts balance increased from a balance of \$397,975 at the beginning of fiscal year 2013 to \$543,925 at the end of fiscal year 2013.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$16,858 at June 30, 2012 to \$22,702 at June 30, 2013, representing an increase of 34.67%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$171,502 less than budgeted revenues, a variance of 2.56%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$4.96 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 0.57% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$323,194.

The original cost of the District's capital assets was \$9,419,420. Governmental funds account for \$9,302,123 with the remainder of \$117,297 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$272,338 at June 30, 2013 compared to \$252,931 at June 30, 2012. The increase in land improvements is due to the District adding a new playground to its capital asset listing during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 34,900	34,900	-	-	34,900	34,900	0.00%
Buildings	4,400,592	4,455,754	-	-	4,400,592	4,455,754	-1.24%
Land improvements	272,338	252,931	-	-	272,338	252,931	7.67%
Machinery and equipment	243,063	236,011	7,346	6,963	250,409	242,974	3.06%
Total	\$ 4,950,893	4,979,596	7,346	6,963	4,958,239	4,986,559	-0.57%

Long-Term Debt

At June 30, 2013, the District had \$480,000 in revenue bonds and other long-term debt outstanding. This represents a decrease of 16.66% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonds payable of \$420,000 at June 30, 2013.

The District had a net OPEB liability of \$60,000 at June 30, 2013.

Figure A-7							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue bonds	\$ 420,000	485,000	-	-	420,000	485,000	-13.40%
Termination benefits*	-	46,546	-	-	-	46,546	-100.00%
Net OPEB liability	58,896	43,061	1,104	1,369	60,000	44,430	35.04%
Total	\$ 478,896	574,607	1,104	1,369	480,000	575,976	-16.66%

* Termination benefits are now included as an explicit benefit in the OPEB actuarial

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:

- Enrollment decreases continue to negatively impact the District's budget. However, administration does well to make the necessary cuts to expenditures in the upcoming budget so that the unspent budget authority can maintain at a steady pace. Past history has indicated spending authority has only dropped when the District intentionally uses it to fund "one-time" expenditures they feel are necessary.
- The Sales and Service Tax receipts from the State has allowed the District the ability to pay down debt quicker than expected. It is projected the District will pay the capital loan notes for preschool construction in full in the upcoming school year. The District will continue to use these funds to keep property taxes as low as possible for the local taxpayer.

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.

BEDFORD COMMUNITY SCHOOL DISTRICT

HOME OF THE BULLDOGS

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,759,305	28,500	1,787,805
Receivables:			
Property tax:			
Delinquent	26,515	-	26,515
Succeeding year	1,987,605	-	1,987,605
Income surtax	171,580	-	171,580
Accounts	6,335	125	6,460
Due from other governments	324,595	-	324,595
Inventories	-	7,631	7,631
Capital assets, net of accumulated depreciation	4,950,893	7,346	4,958,239
TOTAL ASSETS	9,226,828	43,602	9,270,430
LIABILITIES			
Accounts payable	42,111	141	42,252
Due to other governments	61,296	-	61,296
Due to other funds	13,938	-	13,938
Salaries and benefits payable	531,871	16,593	548,464
Deferred revenue:			
Succeeding year property tax	1,987,605	-	1,987,605
Other	1,600	-	1,600
Unearned revenue	-	3,062	3,062
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	70,000	-	70,000
Portion due after one year:			
Revenue bonds payable	350,000	-	350,000
Net OPEB liability	58,896	1,104	60,000
TOTAL LIABILITIES	3,117,317	20,900	3,138,217
NET POSITION			
Invested in capital assets, net of related debt	4,530,893	7,346	4,538,239
Restricted for:			
Categorical funding	63,172	-	63,172
Debt service	96,399	-	96,399
Management levy purposes	213,847	-	213,847
Student activities	82,455	-	82,455
School infrastructure	521,519	-	521,519
Physical plant and equipment	22,406	-	22,406
Unrestricted	578,820	15,356	594,176
TOTAL NET POSITION	\$ 6,109,511	22,702	6,132,213

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Operating Grants,	Capital Grants,	Governmental	Business Type	Total
		for	Contributions	Contributions			
	Service	and Restricted	and Restricted	Activities	Activities		
		Interest	Interest				
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,821,215	54,150	43,183	-	(1,723,882)	-	(1,723,882)
Special	828,696	21,861	71,085	-	(735,750)	-	(735,750)
Other	1,007,165	234,298	166,683	-	(606,184)	-	(606,184)
	<u>3,657,076</u>	<u>310,309</u>	<u>280,951</u>	<u>-</u>	<u>(3,065,816)</u>	<u>-</u>	<u>(3,065,816)</u>
Support services:							
Student	136,311	-	31,786	-	(104,525)	-	(104,525)
Instructional staff	291,535	12,584	-	-	(278,951)	-	(278,951)
Administration	647,871	140,996	-	-	(506,875)	-	(506,875)
Operation and maintenance of plant	586,440	-	-	-	(586,440)	-	(586,440)
Transportation	268,788	10,490	707	15,400	(242,191)	-	(242,191)
	<u>1,930,945</u>	<u>164,070</u>	<u>32,493</u>	<u>15,400</u>	<u>(1,718,982)</u>	<u>-</u>	<u>(1,718,982)</u>
Long-term debt interest	17,449	-	-	-	(17,449)	-	(17,449)
Other expenses:							
AEA flowthrough	194,839	-	194,839	-	-	-	-
Depreciation(unallocated)*	219,758	-	-	-	(219,758)	-	(219,758)
	<u>414,597</u>	<u>-</u>	<u>194,839</u>	<u>-</u>	<u>(219,758)</u>	<u>-</u>	<u>(219,758)</u>
Total governmental activities	<u>6,020,067</u>	<u>474,379</u>	<u>508,283</u>	<u>15,400</u>	<u>(5,022,005)</u>	<u>-</u>	<u>(5,022,005)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	21	-	-	-	-	(21)	(21)
Non-instructional programs:							
Food service operations	269,706	106,128	168,791	-	-	5,213	5,213
Total business type activities	<u>269,727</u>	<u>106,128</u>	<u>168,791</u>	<u>-</u>	<u>-</u>	<u>5,192</u>	<u>5,192</u>
Total	<u>\$ 6,289,794</u>	<u>580,507</u>	<u>677,074</u>	<u>15,400</u>	<u>(5,022,005)</u>	<u>5,192</u>	<u>(5,016,813)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,912,266	-		1,912,266
Capital outlay				50,417	-		50,417
Income surtax				189,537	-		189,537
Statewide sales, services and use tax				437,335	-		437,335
Unrestricted state grants				2,568,404	-		2,568,404
Unrestricted investment earnings				1,137	-		1,137
Other				94,281	652		94,933
Total general revenues				<u>5,253,377</u>	<u>652</u>		<u>5,254,029</u>
Change in net position				231,372	5,844		237,216
Net position beginning of year				5,878,139	16,858		5,894,997
Net position end of year				<u>\$ 6,109,511</u>	<u>22,702</u>		<u>6,132,213</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, 2013

	Capital			Total
	General	Projects	Nonmajor	
ASSETS				
Cash and pooled investments	\$ 1,040,995	337,507	380,803	1,759,305
Receivables:				
Property tax:				
Delinquent	22,803	670	3,042	26,515
Succeeding year	1,785,892	51,713	150,000	1,987,605
Income surtax	171,580	-	-	171,580
Accounts	3,716	-	2,619	6,335
Due from other governments	104,909	219,686	-	324,595
TOTAL ASSETS	\$ 3,129,895	609,576	536,464	4,275,935
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 39,873	-	2,238	42,111
Due to other governments	61,296	-	-	61,296
Due to other funds	-	13,938	-	13,938
Salaries and benefits payable	531,871	-	-	531,871
Deferred revenue:				
Succeeding year property tax	1,785,892	51,713	150,000	1,987,605
Income surtax	171,580	-	-	171,580
Other	1,600	-	-	1,600
Total liabilities	2,592,112	65,651	152,238	2,810,001
Fund balances:				
Restricted for:				
Categorical funding	63,172	-	-	63,172
Debt service	-	-	96,399	96,399
Management levy purposes	-	-	213,847	213,847
Student activities	-	-	82,455	82,455
School infrastructure	-	521,519	-	521,519
Physical plant and equipment	-	22,406	-	22,406
Unassigned:				
General	474,611	-	-	474,611
Student activities	-	-	(8,475)	(8,475)
Total fund balances	537,783	543,925	384,226	1,465,934
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,129,895	609,576	536,464	4,275,935

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds (page 20) \$ 1,465,934

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

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in the governmental funds. 4,950,893

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 171,580

Long-term liabilities, including revenue bonds 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. (478,896)

Net position of governmental activities (page 18) \$ 6,109,511

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 1,867,247	300,691	224,437	2,392,375
Tuition	63,042	-	-	63,042
Other	287,698	18	227,643	515,359
State sources	2,830,516	187,061	-	3,017,577
Federal sources	237,567	15,400	-	252,967
Total revenues	<u>5,286,070</u>	<u>503,170</u>	<u>452,080</u>	<u>6,241,320</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,816,510	-	44,940	1,861,450
Special	820,020	-	-	820,020
Other	778,195	-	232,081	1,010,276
	<u>3,414,725</u>	<u>-</u>	<u>277,021</u>	<u>3,691,746</u>
Support services:				
Student	134,647	-	-	134,647
Instructional staff	291,642	-	-	291,642
Administration	650,981	-	-	650,981
Operation and maintenance of plant	483,271	-	101,243	584,514
Transportation	274,229	-	13,370	287,599
	<u>1,834,770</u>	<u>-</u>	<u>114,613</u>	<u>1,949,383</u>
Capital outlay	-	272,271	-	272,271
Long-term debt:				
Principal	-	-	65,000	65,000
Interest and fiscal charges	-	-	17,449	17,449
	<u>-</u>	<u>-</u>	<u>82,449</u>	<u>82,449</u>
Other expenditures:				
AEA flowthrough	194,839	-	-	194,839
Total expenditures	<u>5,444,334</u>	<u>272,271</u>	<u>474,083</u>	<u>6,190,688</u>
Excess(Deficiency) of revenues over(under) expenditures	(158,264)	230,899	(22,003)	50,632
Other financing sources(uses):				
Sale of equipment	60,347	-	-	60,347
Transfer in	-	-	84,949	84,949
Transfer out	-	(84,949)	-	(84,949)
Insurance proceeds	43,266	-	-	43,266
Total other financing sources(uses)	<u>103,613</u>	<u>(84,949)</u>	<u>84,949</u>	<u>103,613</u>
Change in fund balances	(54,651)	145,950	62,946	154,245
Fund balances beginning of year	<u>592,434</u>	<u>397,975</u>	<u>321,280</u>	<u>1,311,689</u>
Fund balances end of year	<u>\$ 537,783</u>	<u>543,925</u>	<u>384,226</u>	<u>1,465,934</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds (page 22) \$ 154,245

**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	\$ 369,773	
Depreciation expense	(321,570)	
Loss on disposal of capital assets	<u>(76,906)</u>	(28,703)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 10,119

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 65,000

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.

Termination benefits	46,546	
Other postemployment benefits	<u>(15,835)</u>	<u>30,711</u>

Change in net position of governmental activities (page 19) \$ 231,372

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 28,500
Accounts receivable	125
Inventories	7,631
Capital assets, net of accumulated depreciation	<u>7,346</u>
TOTAL ASSETS	<u><u>43,602</u></u>
LIABILITIES	
Accounts payable	141
Salaries and benefits payable	16,593
Unearned revenue	3,062
Net OPEB liability	<u>1,104</u>
TOTAL LIABILITIES	<u><u>20,900</u></u>
NET POSITION	
Invested in capital assets	7,346
Unrestricted	<u>15,356</u>
TOTAL NET POSITION	<u><u>\$ 22,702</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 106,128
Miscellaneous	652
Total operating revenues	106,780
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	21
Non-instructional programs:	
Food service operations:	
Salaries	86,659
Benefits	20,154
Supplies	158,666
Other	1,774
Depreciation	1,624
	268,877
Total operating expenses	268,898
Operating loss	(162,118)
Non-operating revenues (expenses):	
Loss on disposal	(829)
State sources	2,688
Federal sources	166,103
Total non-operating revenues	167,962
Change in net position	5,844
Net position beginning of year	16,858
Net position end of year	\$ 22,702

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 106,831
Cash received from miscellaneous	652
Cash payments to employees for services	(109,985)
Cash payments to suppliers for goods or services	(144,651)
Net cash used in operating activities	(147,153)
Cash flows from non-capital financing activities:	
Repayment from General Fund	8,700
State grants received	2,688
Federal grants received	150,244
Net cash provided by non-capital financing activities	161,632
Cash flows from capital financing activities:	
Acquisition of assets	(2,836)
Net increase in cash and cash equivalents	11,643
Cash and cash equivalents beginning of year	16,857
Cash and cash equivalents end of year	\$ 28,500
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (162,118)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,859
Depreciation	1,624
Increase in inventories	(162)
Decrease in accounts receivable	281
Increase in accounts payable	113
Decrease in salaries and benefits payable	(2,907)
Increase in unearned revenue	422
Decrease in net OPEB liability	(265)
Net cash used by operating activities	\$ (147,153)

Non-cash investing, capital and related financing:

During the year ended June 30, 2013, the District received federal commodities valued at \$15,859.

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 1,242	-
Due from other governments	-	43,636
TOTAL ASSETS	1,242	43,636
LIABILITIES		
Due to other governments	-	43,636
NET POSITION		
Restricted for scholarships	\$ 1,242	-

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 12
Deductions:	
Support Services:	
Administration	800
Change in net position	(788)
Net position beginning of year	2,030
Net position end of year	\$ 1,242

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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, Page and Ringgold Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Bedford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The 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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 position and changes in net position. 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax

accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position 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 Position.

Fund Balances - 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.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,492,881 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax Fund	\$ 84,949

The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to make principal and interest payments on the District's revenue bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 34,900	-	-	34,900
Total capital assets not being depreciated	34,900	-	-	34,900
Capital assets being depreciated:				
Buildings	7,182,724	203,905	134,756	7,251,873
Land improvements	713,255	40,605	-	753,860
Machinery and equipment	1,284,704	125,263	148,477	1,261,490
Total capital assets being depreciated	9,180,683	369,773	283,233	9,267,223
Less accumulated depreciation for:				
Buildings	2,726,970	198,560	74,249	2,851,281
Land improvements	460,324	21,198	-	481,522
Machinery and equipment	1,048,693	101,812	132,078	1,018,427
Total accumulated depreciation	4,235,987	321,570	206,327	4,351,230
Total capital assets being depreciated, net	4,944,696	48,203	76,906	4,915,993
Governmental activities capital assets, net	\$ 4,979,596	48,203	76,906	4,950,893
Business type activities:				
Machinery and equipment	\$ 121,747	2,836	7,286	117,297
Less accumulated depreciation	114,784	1,624	6,457	109,951
Business type activities capital assets, net	\$ 6,963	1,212	829	7,346

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,116
Other		4,382
Support services:		
Instructional staff		9,400
Administration		6,747
Operation and maintenance		10,946
Transportation		66,221
		<u>101,812</u>
Unallocated depreciation		<u>219,758</u>
		<u>\$ 321,570</u>
Business type activities:		
Food service operations		<u>\$ 1,624</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 485,000	-	65,000	420,000	70,000
Termination benefits*	46,546	-	46,546	-	-
Net OPEB liability	43,061	15,835	-	58,896	-
Total	<u>\$ 574,607</u>	<u>15,835</u>	<u>111,546</u>	<u>478,896</u>	<u>70,000</u>
Business type activities:					
Net OPEB liability	\$ 1,369	-	265	1,104	-

*Termination benefits are now included as an explicit benefit in the OPEB actuarial

Revenue Bonds

Details of the District's June 30, 2013 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
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		<u>\$ 420,000</u>	<u>53,323</u>	<u>473,323</u>

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 \$473,323. For the current year, \$65,000 of principal and \$17,449 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$437,335.

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.

(6) 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011, were \$294,001, \$262,707 and \$233,631, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 88 active and 4 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 55,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(2,430)</u>
Annual OPEB cost	54,570
Contributions made	<u>(39,000)</u>
Increase in net OPEB obligation	15,570
Net OPEB obligation beginning of year	<u>44,430</u>
Net OPEB obligation end of year	<u><u>\$ 60,000</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, 2013.

For the year ended June 30, 2013, the District contributed \$39,000 to the medical plan. Retired members eligible for the plan contributed \$44,000 or 58.67% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	48,157	66.45%	38,157
2012	48,273	87.01%	44,430
2013	54,570	71.47%	60,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$559,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$559,000. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,826,495 and the ratio of the UAAL to covered payroll was 19.78%. As of June 30, 2013, 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, 2012 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 10.0%. 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 \$603 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.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$194,839 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning Teacher Mentoring and Induction Program	\$ 7,579
Teacher Salary Supplement	26,149
Professional Development for Model Core Curriculum	14,589
Statewide Voluntary Preschool	14,855
Total	<u>\$ 63,172</u>

(11) Deficit Balances

At June 30, 2013, the District had six accounts within the Student Activity Fund that had deficit unassigned balances totaling \$8,475.

(12) Contingencies

As of June 30, 2013, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

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, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,970,776	106,780	3,077,556	3,242,394	3,242,394	(164,838)
State sources	3,017,577	2,688	3,020,265	3,016,899	3,016,899	3,366
Federal sources	252,967	166,103	419,070	429,100	429,100	(10,030)
Total revenues	6,241,320	275,571	6,516,891	6,688,393	6,688,393	(171,502)
Expenditures/Expenses:						
Instruction	3,691,746	-	3,691,746	3,965,274	3,965,274	273,528
Support services	1,949,383	21	1,949,404	2,351,000	2,351,000	401,596
Non-instructional programs	-	269,706	269,706	340,961	340,961	71,255
Other expenditures	549,559	-	549,559	1,145,850	1,145,850	596,291
Total expenditures/expenses	6,190,688	269,727	6,460,415	7,803,085	7,803,085	1,342,670
Excess(Deficiency) of revenues over(under) expenditures/expenses	50,632	5,844	56,476	(1,114,692)	(1,114,692)	1,171,168
Other financing sources, net	103,613	-	103,613	42,000	42,000	61,613
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	154,245	5,844	160,089	(1,072,692)	(1,072,692)	1,232,781
Balances beginning of year	1,311,689	16,858	1,328,547	1,446,617	1,446,617	(118,070)
Balances end of year	\$ 1,465,934	22,702	1,488,636	373,925	373,925	1,114,711

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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.

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	-	\$ 502,000	502,000	0.00%	\$ 2,775,457	18.09%
2011	July 1, 2009	-	502,000	502,000	0.00%	2,870,309	17.49%
2012	July 1, 2009	-	502,000	502,000	0.00%	2,520,921	19.91%
2013	July 1, 2012	-	559,000	559,000	0.00%	2,826,495	19.78%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 210,805	73,599	284,404	96,399	380,803
Receivables:					
Property tax:					
Delinquent	3,042	-	3,042	-	3,042
Succeeding year	150,000	-	150,000	-	150,000
Accounts	-	2,619	2,619	-	2,619
TOTAL ASSETS	\$ 363,847	76,218	440,065	96,399	536,464
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	2,238	2,238	-	2,238
Deferred revenue:					
Succeeding year property tax	150,000	-	150,000	-	150,000
Total liabilities	150,000	2,238	152,238	-	152,238
Fund balances:					
Restricted for:					
Debt service	-	-	-	96,399	96,399
Management levy purposes	213,847	-	213,847	-	213,847
Student activities	-	82,455	82,455	-	82,455
Unassigned	-	(8,475)	(8,475)	-	(8,475)
Total fund balances	213,847	73,980	287,827	96,399	384,226
TOTAL LIABILITIES AND FUND BALANCES	\$ 363,847	76,218	440,065	96,399	536,464

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, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 224,437	-	224,437	-	224,437
Other	3,552	224,086	227,638	5	227,643
Total revenues	227,989	224,086	452,075	5	452,080
Expenditures:					
Current:					
Instruction:					
Regular	44,940	-	44,940	-	44,940
Other	-	232,081	232,081	-	232,081
Support services:					
Operation and maintenance of plant	101,243	-	101,243	-	101,243
Transportation	13,370	-	13,370	-	13,370
Long-term debt:					
Principal	-	-	-	65,000	65,000
Interest and fiscal charges	-	-	-	17,449	17,449
Total expenditures	159,553	232,081	391,634	82,449	474,083
Excess(Deficiency) of revenues over(under) expenditures	68,436	(7,995)	60,441	(82,444)	(22,003)
Other financing sources:					
Transfer in	-	-	-	84,949	84,949
Change in fund balances	68,436	(7,995)	60,441	2,505	62,946
Fund balances beginning of year	145,411	81,975	227,386	93,894	321,280
Fund balances end of year	\$ 213,847	73,980	287,827	96,399	384,226

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 315,771	21,736	337,507
Receivables:			
Property tax:			
Delinquent	-	670	670
Succeeding year	-	51,713	51,713
Due from other governments	219,686	-	219,686
TOTAL ASSETS	\$ 535,457	74,119	609,576
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 13,938	-	13,938
Deferred revenue:			
Succeeding year property tax	-	51,713	51,713
Total liabilities	13,938	51,713	65,651
Fund balances:			
Restricted for:			
School infrastructure	521,519	-	521,519
Physical plant and equipment	-	22,406	22,406
Total fund balances	521,519	22,406	543,925
TOTAL LIABILITIES AND FUND BALANCES	\$ 535,457	74,119	609,576

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 250,274	50,417	300,691
Other	14	4	18
State sources	187,061	-	187,061
Federal sources	15,400	-	15,400
Total revenues	<u>452,749</u>	<u>50,421</u>	<u>503,170</u>
Expenditures:			
Capital outlay	<u>187,655</u>	<u>84,616</u>	<u>272,271</u>
Excess (Deficiency) of revenues over (under) expenditures	265,094	(34,195)	230,899
Other financing uses:			
Transfer out	<u>(84,949)</u>	-	<u>(84,949)</u>
Change in fund balances	180,145	(34,195)	145,950
Fund balances beginning of year	<u>341,374</u>	<u>56,601</u>	<u>397,975</u>
Fund balances end of year	<u>\$ 521,519</u>	<u>22,406</u>	<u>543,925</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT SERVICE ACCOUNTS
JUNE 30, 2013

	Debt Service		
	Debt Service	Debt Sinking- Preschool Bonds	Total
ASSETS			
Cash and pooled investments	\$ 1,698	94,701	96,399
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	-	-
Fund balances:			
Restricted for debt service	1,698	94,701	96,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,698	94,701	96,399

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, 2013

	Debt Service		
	Debt Service	Debt Sinking- Preschool Bonds	Total
Revenues:			
Local sources:			
Other	\$ -	5	5
Expenditures:			
Long-term debt:			
Principal	-	65,000	65,000
Interest and fiscal charges	-	17,449	17,449
Total expenditures	-	82,449	82,449
Deficiency of revenues under expenditures	-	(82,444)	(82,444)
Other financing sources:			
Transfer in	-	84,949	84,949
Change in fund balances	-	2,505	2,505
Fund balances beginning year	1,698	92,196	93,894
Fund balances end of year	\$ 1,698	94,701	96,399

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
HS Athletics:					
Football	\$ 7,389	15,153	10,923	-	11,619
Volleyball	2,855	10,656	10,945	-	2,566
Basketball	8,280	19,368	18,313	-	9,335
Wrestling	2,238	6,203	7,215	-	1,226
Track	(5,742)	6,806	4,430	-	(3,366)
Softball	(98)	3,704	4,501	-	(895)
Baseball	(1,461)	5,896	8,055	-	(3,620)
Golf	-	1,348	1,348	-	-
Cross Country	-	676	676	-	-
	<u>13,461</u>	<u>69,810</u>	<u>66,406</u>	<u>-</u>	<u>16,865</u>
HS Clubs & Organizations:					
FFA	9,452	18,328	22,494	-	5,286
FCCLA	1,490	2,084	1,908	(5)	1,661
Iron Man Club	73	-	-	-	73
NHS	(17)	230	175	5	43
Student Council	4,772	4,565	4,760	(27)	4,550
SADOBS	1,295	1,147	888	-	1,554
Instrumental Club	(8)	782	447	-	327
Vocal	66	-	61	-	5
Swish and Spike Club	7,004	15,382	19,455	-	2,931
BPA	3,356	18,964	22,097	-	223
Yearbook #2	6,232	1,290	4,218	-	3,304
Yearbook	-	4,600	-	-	4,600
Bulldog Club	7,087	5,380	7,753	(291)	4,423
Cheerleaders	(680)	11,776	9,869	(224)	1,003
Art	521	603	705	-	419
Musical	1,112	6,228	6,097	-	1,243
Music Club	4	773	773	-	4
Class of 2012	(415)	100	-	-	(315)
Class of 2013	6,284	5,813	11,657	-	440
Class of 2014	1,039	18,515	14,279	782	6,057
Class of 2015	1,200	308	368	-	1,140
Class of 2016	1,252	236	162	-	1,326
Class of 2017	900	326	230	-	996
Class of 2018	400	300	100	-	600
Class of 2019	-	300	93	-	207
Swish Club	-	109	-	-	109
Senior Cheers	2	135	-	-	137
	<u>52,421</u>	<u>118,274</u>	<u>128,589</u>	<u>240</u>	<u>42,346</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
MS Athletics:					
Volleyball	2,495	1,027	1,895	-	1,627
Basketball	2,608	2,154	1,405	-	3,357
Wrestling	993	377	270	-	1,100
Track	1,847	963	1,526	-	1,284
Softball	1,014	662	526	-	1,150
Baseball	1,021	508	430	-	1,099
Football	827	1,446	918	-	1,355
	<u>10,805</u>	<u>7,137</u>	<u>6,970</u>	<u>-</u>	<u>10,972</u>
MS Clubs & Organizations:					
Student Council	2	372	448	-	(74)
Magazine Sales	-	2,837	2,837	-	-
Yearbook	157	-	362	-	(205)
	<u>159</u>	<u>3,209</u>	<u>3,647</u>	<u>-</u>	<u>(279)</u>
Elementary Clubs & Organizations:					
PTK Club	112	-	-	-	112
K-8 Book Fair	-	5,958	5,958	-	-
Student Council	3,048	3,590	3,216	(531)	2,891
Yearbook	254	1,210	1,193	-	271
	<u>3,414</u>	<u>10,758</u>	<u>10,367</u>	<u>(531)</u>	<u>3,274</u>
District-wide Accounts:					
Great Race	560	-	-	-	560
Activity Tickets	-	5,630	5,630	-	-
Interest	-	772	772	-	-
Field Trips	4	1,175	1,470	291	-
After Prom	1,151	7,321	8,230	-	242
	<u>1,715</u>	<u>14,898</u>	<u>16,102</u>	<u>291</u>	<u>802</u>
Total	<u>\$ 81,975</u>	<u>224,086</u>	<u>232,081</u>	<u>-</u>	<u>73,980</u>

BEDFORD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Due from other governments	\$ 25,768	43,636	25,768	43,636
LIABILITIES				
Due to other governments	\$ 25,768	43,636	25,768	43,636

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,392,375	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	63,042	78,794	335,687	221,228	216,740	363,870	346,398	288,236	286,952	226,566
Other	515,359	517,063	388,455	440,045	352,602	385,081	323,980	265,122	223,187	255,583
Intermediate sources	-	-	-	-	-	-	-	-	-	13,842
State sources	3,017,577	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	252,967	218,936	490,929	616,230	251,236	208,021	213,966	215,985	276,921	202,782
Total	<u>6,241,320</u>	<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	\$ 1,861,450	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	820,020	781,125	801,094	850,496	835,506	709,680	726,034	668,187	631,157	681,621
Other	1,010,276	931,489	1,036,121	918,619	821,648	780,242	714,355	692,015	699,544	461,861
Support services:										
Student	134,647	140,882	136,583	163,925	142,692	126,673	118,310	125,990	119,110	126,943
Instructional staff	291,642	532,860	256,017	587,662	292,182	228,841	163,211	154,620	145,669	66,160
Administration	650,981	612,016	586,105	528,081	646,844	609,434	576,913	541,728	470,936	516,767
Operation and maintenance of plant	584,514	581,228	496,039	593,996	492,826	461,171	437,604	419,410	473,976	362,397
Transportation	287,599	270,994	250,859	260,347	225,908	210,096	217,959	197,344	205,110	174,590
Other support	-	-	-	-	-	-	-	-	-	64,068
Capital outlay	272,271	200,986	385,248	481,146	350,191	243,782	155,833	189,443	86,976	56,448
Long-term debt:										
Principal	65,000	365,575	355,574	295,574	260,000	195,000	190,000	185,000	180,000	180,000
Interest and other charges	17,449	35,363	32,993	24,598	27,305	32,285	37,320	41,365	45,377	194,065
Other expenditures:										
AEA flow-through	194,839	195,884	221,707	219,708	198,108	166,539	163,878	159,486	159,710	161,018
Total	<u>\$ 6,190,688</u>	<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
Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

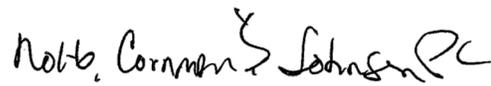
Bedford Community School District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2014
Newton, Iowa

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTRAL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping and custody of investments
- 3) Receipts - depositing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) School lunch program - collecting and recording; posting, depositing and reconciling.

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 does what it can to segregate duties and reviews control procedures annually. The District has other employees review reports if one individual is in control of more than one area.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted in any of the functional areas.

II-B-13 Questionable Disbursements - We noted during our audit expenditures for awards/rewards, including gift certificates to be given as retirement gifts and student prizes to be used as incentives for being top sellers in fundraisers. Giving gift certificates/incentive prizes to students do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior. Additionally, the District should refrain from purchasing gift certificates as the Board cannot audit the final purchase.

Response - The District will refrain from using gift certificates in the future. The District has instructed sponsors of student programs they cannot give individual students prizes for fundraiser incentives, being top salesmen, performance incentives or good behavior.

Conclusion - Response accepted.

II-C-13 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-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lorna Bucher, Teacher Owns Bedford County Store/Godfathers Pizza	Supplies/Pizza	\$500
Cheryl Johnson, Secretary	Flag Repair/Sewing	\$35

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-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the Schedule of Bills was not always published timely.

Recommendation - The District should publish the Schedule of bills at least monthly, as required by 279.35 of the Code of Iowa.

Response - The District has developed a new system to remind them to timely publish a Schedule of bills monthly.

Conclusion - Response accepted.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 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-13 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-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 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, 2013, 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 2013 audit.

Beginning Balance		\$ 341,374
Revenues:		
Sales tax revenues	\$ 250,274	
School infrastructure supplemental amount	187,061	
Other local revenues	14	
Federal revenues	15,400	452,749
		<u>794,123</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 2,590	
Equipment	44,942	
Other	140,123	
Transfers to other funds:		
Debt service fund	84,949	272,604
		<u>521,519</u>
Ending Balance		<u>\$ 521,519</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Deficit Accounts - At June 30, 2013, the District had six accounts in the Student Activity Fund that had deficit unassigned balances totaling \$8,475.

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 - The District will monitor the situation and try to reduce the number of deficit accounts. Reports will be given to sponsors monthly to remind them of their balances.

Conclusion - Response accepted.