

**Ballard Community School District
Huxley, Iowa**

Financial Report
Year Ended June 30, 2014

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Ballard Community School District

Officials

Year Ended June 30, 2014

Name	Title	Term Expires
Board of Education		
David Jackson	President	2017
Jean Saveraid	Vice President	2017
Tim Erickson	Board Member	2015
Steven Domino	Board Member	2015
Kirk Peterson	Board Member	2015
School Officials		
Ottie Maxey	Superintendent	2015
Patricia Townsend	Business Manager	2015
Dave McGill	Director of Technology	2015
Doug Schroeder	Director of Buildings & Grounds	2015
Tom Sharpnack	Director of Transportation	2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard Community School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard Community School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information, on pages 4-13 and 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other information are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2005 through 2011, which are not presented herein, were audited by other auditors whose report thereon dated March 20, 2012, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2005 through 2011

stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2005 through 2011 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Overland Park, Kansas
December 18, 2014

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Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

2013-14 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,731,794 in fiscal year 2013 to \$15,582,418 in fiscal year 2014 which represents a 5.8% increase.
- General Fund expenditures decreased from \$15,213,210 in fiscal year 2013 to \$14,479,271 in fiscal year 2014 which represents a 4.8% decrease.
- As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$4,990,583, an increase of \$1,341,782 from 2013. As of June 30, 2013, the District's governmental funds reported combined ending fund balances of \$3,648,801, a decrease of \$304,047 from 2012.
- The District's net position increased \$2,085,504 during the year ended June 30, 2014. The District's net position decreased \$761,828 during the year ended June 30, 2013.

USING THIS ANNUAL REPORT

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

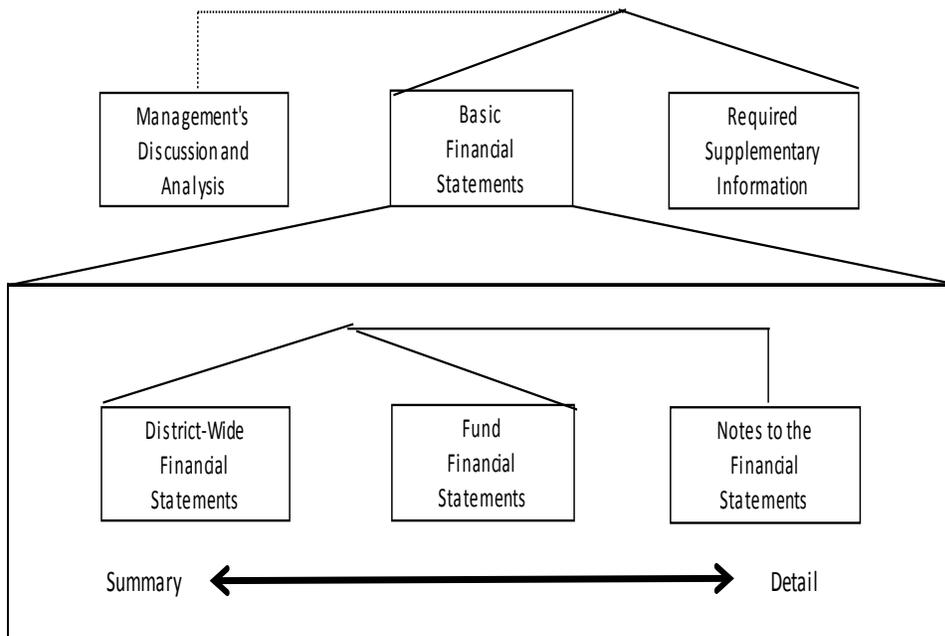
- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Ballard Community School District as a whole and present an overall view of the District's finances.
- The fund financial statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Ballard's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ballard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other supplementary information provides detailed information about the nonmajor governmental funds.

Ballard Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2014**

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

Figure A-1
Ballard Community School District Annual Financial Report



Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

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: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

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 deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2013-14 were the General Fund, Capital Projects Fund, and Debt Service Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activities Fund). The

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

required financial statements for 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 Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, which is used to account for the District's self-funded health insurance plan.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2013-14
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	
Current and other assets	\$ 13,685,557	\$ 12,085,695	\$ 57,313	\$ 81,663	\$ 13,742,870	\$ 12,167,358	12.9%
Capital assets	34,973,629	35,935,083	11,170	13,994	34,984,799	35,949,077	-2.7%
Total assets	48,659,186	48,020,778	68,483	95,657	48,727,669	48,116,435	1.3%
Current liabilities	3,352,072	2,097,965	16,499	14,090	3,368,571	2,112,055	59.5%
Non-current liabilities	22,055,104	25,142,642	-	-	22,055,104	25,142,642	-12.3%
Total liabilities	25,407,176	27,240,607	16,499	14,090	25,423,675	27,254,697	-6.7%
Deferred inflows of resources	6,592,039	6,235,287	-	-	6,592,039	6,235,287	5.7%
Net position:							
Net investment in capital assets	12,856,074	14,386,863	11,170	13,994	12,867,244	14,400,857	-10.6%
Restricted	2,993,824	2,920,832	-	-	2,993,824	2,920,832	2.5%
Unrestricted	810,073	(2,762,811)	40,814	67,573	850,887	(2,695,238)	-131.6%
Total net position	\$ 16,659,971	\$ 14,544,884	\$ 51,984	\$ 81,567	\$ 16,711,955	\$ 14,626,451	14.3%

The District's combined net position as of June 30, 2014 increased by \$2,085,504 (14.3 percent) over the June 30, 2013 combined net position. Net position in the governmental activities increased by \$2,115,087 (17.3 percent). The net position of the District's business-type activities decreased by \$29,583 (3.6 percent).

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$72,992 or 2.5 percent from the prior year.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$3,546,125.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2013-14
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	
Revenues:							
Program revenues:							
Charges for services	\$ 1,022,061	\$ 995,877	\$ 524,479	\$ 488,065	\$ 1,546,540	\$ 1,483,942	4.2%
Operating grants and contributions	3,089,518	2,679,044	250,213	246,389	3,339,731	2,925,433	14.2%
Capital grants and contributions	-	-	-	-	-	-	0.0%
General revenues:							
Property taxes	6,248,612	5,716,494	-	-	6,248,612	5,716,494	9.3%
Income surtax	185,952	159,131	-	-	185,952	159,131	16.9%
State foundation aid	7,822,330	7,615,517	-	-	7,822,330	7,615,517	2.7%
Statewide sales and services tax	1,340,763	1,668,299	-	-	1,340,763	1,668,299	-19.6%
Other	14,069	23,574	42	48	14,111	23,622	-40.3%
Total revenues	19,723,305	18,857,936	774,734	734,502	20,498,039	19,592,438	4.6%
Expenses:							
Instruction	9,976,654	10,485,194	-	-	9,976,654	10,485,194	-4.9%
Support services	4,961,094	5,236,366	-	-	4,961,094	5,236,366	-5.3%
Noninstructional programs	-	-	804,317	742,579	804,317	742,579	8.3%
Other	2,670,470	3,890,127	-	-	2,670,470	3,890,127	-31.4%
Total expenses	17,608,218	19,611,687	804,317	742,579	18,412,535	20,354,266	-9.5%
Increase (decrease) in net position	\$ 2,115,087	\$ (753,751)	\$ (29,583)	\$ (8,077)	\$ 2,085,504	\$ (761,828)	373.7%

In 2013-2014, property taxes, income surcharge tax, and statewide sales and services tax and state foundation aid accounted for 79.1 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

In 2012-13, property taxes, income surcharge tax, statewide sales and services tax, and state foundation aid accounted for 80.4 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

The District's expenses primarily relate to instruction and support services which account for 81.1 percent of the total expenses.

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

Governmental Activities

Total revenue for the District's governmental activities increased by \$865,369 (4.6 percent) in the fiscal year ended June 30, 2014. One of the significant changes was in statewide sales and services tax. The statewide sales and services tax decreased \$327,536 or 24.4% primarily due to the change of the tax being allocated on a statewide basis. Property taxes increased \$532,118 (9.3 percent) due to an increase in assessed valuation. State foundation aid increased \$206,813 (2.7 percent) due to increases in enrollment.

Total District governmental activities expenses decreased by \$2,003,469 (10.2 percent), mainly attributable to decreases in number of full-time equivalent employees.

Figure A-5 presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013	
Instruction	\$ 9,976,654	\$ 10,485,194	-4.85%	\$ 6,448,763	\$ 7,360,610	-12.4%
Support services	4,961,094	5,236,366	-5.26%	4,961,094	5,235,607	-5.2%
Other	2,670,470	3,890,127	-31.35%	2,086,782	3,340,549	-37.5%
Total	\$ 17,608,218	\$ 19,611,687	-10.22%	\$ 13,496,639	\$ 15,936,766	-15.3%

For the year ended June 30, 2014:

- The cost financed by the users of the District's programs was \$1,022,061.
- Federal and state government subsidized certain programs with grants and contributions totaling \$3,089,518.
- The net cost of governmental activities was financed with \$6,248,612 in property taxes, \$185,952 of income surtax, \$1,340,763 of statewide sales and services tax, \$7,822,330 of unrestricted state grants, and \$14,069 other.

For the year ended June 30, 2013:

- The cost financed by the users of the District's programs was \$995,877.
- Federal and state government subsidized certain programs with grants and contributions totaling \$2,679,044.
- The net cost of governmental activities was financed with \$5,716,494 in property taxes, \$7,615,517 of unrestricted state grants, \$1,668,299 of statewide sales and services tax, \$159,131 of income surtax, and \$23,574 miscellaneous revenues.

Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2013-14 were \$774,734, an increase of \$40,232 from 2012-13. Expenses were

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

\$804,317, an increase of \$61,738 from 2012-13. Revenues of these activities were comprised of charges for service, federal and state sources, and interest.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,990,583 which reflects an increase of \$1,341,782 from last year's ending fund balances of \$3,648,801. The primary reason for the increase in combined fund balances at the end of fiscal 2014 is the increase in General Fund revenues from increased state aid and property taxes offset by a decrease in General Fund operating expenditures due to a reduction in staff.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by \$1,125,424 from \$134,304 as of June 30, 2013 to \$1,259,728 as of June 30, 2014. The increase is due to increased state aid offset by a decrease in expenditures for reduction in staff.
- The fund balance in the Capital Projects Fund increased \$11,572 from \$2,844,647 as of June 30, 2013 to \$2,856,219 as of June 30, 2014. The increase is due to the timing of capital projects expenditures.
- The Debt Service Fund had a decrease of \$4,365 in ending fund balance from \$108,967 in 2012-2013 to \$104,602 in fiscal year 2013-2014.

Proprietary Fund Highlights

The District's School Nutrition Fund net position decreased \$29,583 to \$51,984 as of June 30, 2014. The District has continued its agreement with Taher, Inc. to manage the nutrition program.

BUDGETARY HIGHLIGHTS

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service funds, private-purpose trust funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. Over the course of the year, the District amended its certified budget one time. The most significant reason for the amended budget showing \$439,084 more in expenditures than the original certified budget for the 2013-14 fiscal year was costs associated with capital improvements.

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

The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2013-14 fiscal year, the District had invested \$34,984,799 (net of accumulated depreciation of \$11,612,282) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-6). This amount represents a net decrease of \$964,278 or 2.7 percent from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$1,099,802.

Figure A-6 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2013-4
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	
Land	\$ 791,512	\$ 791,512	\$ -	\$ -	\$ 791,512	\$ 791,512	0.0%
Buildings	32,829,735	33,606,041	-	-	32,829,735	33,606,041	-2.3%
Improvements other than buildings	451,669	384,891	-	-	451,669	384,891	17.3%
Furniture and equipment	890,713	1,050,855	11,170	13,994	901,883	1,064,849	-15.3%
Construction in progress	10,000	101,784	-	-	10,000	101,784	-90.2%
Total	\$ 34,973,629	\$ 35,935,083	\$ 11,170	\$ 13,994	\$ 34,984,799	\$ 35,949,077	-2.7%

Long-Term Liabilities

As of June 30, 2014, the District had approximately \$24 million in general obligation bonds, revenue bonds, and other long-term debt outstanding. This represents a decrease of approximately 6% from last year (see figure A-7). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2013-14
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	
Early retirement	\$ 39,381	\$ 156,702	\$ -	\$ -	\$ 39,381	\$ 156,702	-74.9%
Compensated absences	27,817	35,000	-	-	27,817	35,000	-20.5%
Net OPEB liability (asset)	175,104	70,940	-	-	175,104	70,940	146.8%
General obligation bonds	12,080,000	12,665,000	-	-	12,080,000	12,665,000	-4.6%
Capital loan notes	945,000	1,250,000	-	-	945,000	1,250,000	-24.4%
Revenue bonds	10,270,000	10,965,000	-	-	10,270,000	10,965,000	-6.3%
Total	\$ 23,537,302	\$ 25,142,642	\$ -	\$ -	\$ 23,537,302	\$ 25,142,642	-6.4%

Ballard Community School District

Management's Discussion and Analysis Year Ended June 30, 2014

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:

- The District's FY15 budgeted expenditures for the General Fund is approximately \$15.7 million which is an increase of approximately 7% from the FY14 General Fund budget.
- The District's FY15 total tax rate is 23.053 compared to FY14 of 23.053.

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 Patricia Townsend, Business Manager, Ballard Community School District, 509 N Main, PO Box 307, Huxley, IA 50124

Ballard Community School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,542,606	\$ 656	\$ 4,543,262
Restricted cash and investments	1,911,541	-	1,911,541
Receivables:			
Property tax:			
Current year	38,864	-	38,864
Succeeding year	6,592,039	-	6,592,039
Income surtax	156,124	-	156,124
Accounts	294,067	56,519	350,586
Other	145,316	-	145,316
Internal balances	5,000	(5,000)	-
Inventories	-	5,138	5,138
Capital assets:			
Nondepreciable	801,512	-	801,512
Depreciable, net	34,172,117	11,170	34,183,287
Total assets	48,659,186	68,483	48,727,669
Liabilities			
Accounts payable	128,805	-	128,805
Salaries and benefits payable	1,452,837	-	1,452,837
Accrued interest payable	284,832	-	284,832
Claims incurred but not reported	3,400	-	3,400
Unearned revenue	-	16,499	16,499
Long-term liabilities:			
Portion due within one year:			
Early retirement	39,381	-	39,381
Compensated absences	27,817	-	27,817
General obligation bonds	605,000	-	605,000
Capital loan notes	310,000	-	310,000
Revenue bonds	500,000	-	500,000
Portion due after one year:			
General obligation bonds	11,475,000	-	11,475,000
Capital loan notes	635,000	-	635,000
Revenue bonds	9,770,000	-	9,770,000
Net OPEB liability	175,104	-	175,104
Total liabilities	25,407,176	16,499	25,423,675
Deferred inflows of resources, deferred revenue	6,592,039	-	6,592,039
Net Position			
Net investment in capital assets	12,856,074	11,170	12,867,244
Restricted for:			
Categorical funding	322,241	-	322,241
Management levy	538,779	-	538,779
Physical plant and equipment levy	75,602	-	75,602
Student activities	231,255	-	231,255
School infrastructure	1,670,172	-	1,670,172
Debt service	104,602	-	104,602
Other	51,173	-	51,173
Unrestricted	810,073	40,814	850,887
Total net position	\$ 16,659,971	\$ 51,984	\$ 16,711,955

See Notes to Financial Statements.

Ballard Community School District

**Statement of Activities
Year Ended June 30, 2014**

Functions/Programs	Expenses
Governmental activities:	
Instruction	\$ 9,976,654
Support services:	
Student services	435,962
Instructional staff services	504,358
Administration services	1,708,879
Operation and maintenance of plant services	1,630,785
Transportation services	681,110
	<u>4,961,094</u>
Other expenditures:	
Interest on long-term debt	989,804
AEA flowthrough	583,688
Depreciation (unallocated) *	1,096,978
	<u>2,670,470</u>
Total governmental activities	<u>17,608,218</u>
Business Type Activities:	
Noninstructional programs,	
Nutrition services	<u>804,317</u>
Total	<u>\$ 18,412,535</u>
General revenues:	
Property tax levied for:	
General purposes	
Management	
Capital outlay	
Debt Service	
Income surtax	
Statewide sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings	
Total general revenues	
Change in net position	
Net position, beginning of year	
Net position, end of year	

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

See Notes to Financial Statements.

Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 1,022,061	\$ 2,505,830	\$ -	\$ (6,448,763)	\$ -	\$ (6,448,763)
-	-	-	(435,962)	-	(435,962)
-	-	-	(504,358)	-	(504,358)
-	-	-	(1,708,879)	-	(1,708,879)
-	-	-	(1,630,785)	-	(1,630,785)
-	-	-	(681,110)	-	(681,110)
-	-	-	(4,961,094)	-	(4,961,094)
-	-	-	(989,804)	-	(989,804)
-	583,688	-	-	-	-
-	-	-	(1,096,978)	-	(1,096,978)
-	583,688	-	(2,086,782)	-	(2,086,782)
1,022,061	3,089,518	-	(13,496,639)	-	(13,496,639)
524,479	250,213	-	-	(29,625)	(29,625)
\$ 1,546,540	\$ 3,339,731	\$ -	\$ (13,496,639)	\$ (29,625)	\$ (13,526,264)
			4,089,577	-	4,089,577
			697,879	-	697,879
			383,643	-	383,643
			1,077,513	-	1,077,513
			185,952	-	185,952
			1,340,763	-	1,340,763
			7,822,330	-	7,822,330
			14,069	42	14,111
			15,611,726	42	15,611,768
			2,115,087	(29,583)	2,085,504
			14,544,884	81,567	14,626,451
			\$ 16,659,971	\$ 51,984	\$ 16,711,955

Ballard Community School District

**Balance Sheet
Governmental Funds
June 30, 2014**

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,640,228	\$ 739,050	\$ 98,305	\$ 766,854	\$ 4,244,437
Restricted cash and investments	-	1,911,541	-	-	1,911,541
Receivables:					
Property tax:					
Current year	26,798	1,124	6,297	4,645	38,864
Succeeding year	4,820,119	392,576	1,079,343	300,001	6,592,039
Income surcharge tax	-	156,124	-	-	156,124
Accounts	4,339	283,824	-	5,904	294,067
Due from other funds	5,000	-	-	-	5,000
Other	145,316	-	-	-	145,316
Total assets	\$ 7,641,800	\$ 3,484,239	\$ 1,183,945	\$ 1,077,404	\$ 13,387,388
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 109,116	\$ 12,320	\$ -	\$ 7,369	\$ 128,805
Salaries and benefits payable	1,452,837	-	-	-	1,452,837
Total liabilities	1,561,953	12,320	-	7,369	1,581,642
Deferred Inflows of Resources,					
Unavailable revenue:					
Succeeding year property tax	4,820,119	392,576	1,079,343	300,001	6,592,039
Income surcharge tax	-	156,124	-	-	156,124
Sales, services and use tax	-	67,000	-	-	67,000
Total deferred inflows of resources	4,820,119	615,700	1,079,343	300,001	6,815,163
Fund balances:					
Restricted for:					
Categorical funding	322,241	-	-	-	322,241
Other curriculum programs	51,173	-	-	-	51,173
Management levy	-	-	-	538,779	538,779
Physical plant and equipment levy	-	75,602	-	-	75,602
Student activities	-	-	-	231,255	231,255
School infrastructure	-	2,780,617	-	-	2,780,617
Debt service	-	-	104,602	-	104,602
Unassigned	886,314	-	-	-	886,314
Total fund balances	1,259,728	2,856,219	104,602	770,034	4,990,583
Total liabilities, deferred inflows of resources and fund balances	\$ 7,641,800	\$ 3,484,239	\$ 1,183,945	\$ 1,077,404	\$ 13,387,388

See Notes to Financial Statements.

Ballard Community School District

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds \$ 4,990,583

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

Receivables not collected within 60 days of year-end are not available to pay for the current period's expenditures, and therefore, are deferred in the funds:

Income surcharge tax	156,124	
Statewide sales, services and use tax	67,000	223,124

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds. 34,973,629

The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net position of the Internal Service Fund is therefore included under governmental activities. 294,769

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. (284,832)

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

Compensated absences	(27,817)	
Early retirement	(39,381)	
Capital loan notes	(945,000)	
General obligation bonds	(12,080,000)	
Revenue bonds	(10,270,000)	
Net OPEB liability	(175,104)	(23,537,302)
Net position of governmental activities		\$ 16,659,971

See Notes to Financial Statements.

Ballard Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,089,577	\$ 557,578	\$ 1,077,513	\$ 697,879	\$ 6,422,547
Tuition	1,022,061	-	-	-	1,022,061
Other	251,200	5,563	1,846	445,870	704,479
State sources	9,921,157	1,328,589	335	279	11,250,360
Federal sources	298,423	-	-	-	298,423
Total revenues	15,582,418	1,891,730	1,079,694	1,144,028	19,697,870
Expenditures:					
Current:					
Instruction	9,447,016	-	-	644,976	10,091,992
Support services:					
Student services	435,962	-	-	-	435,962
Instructional staff services	428,151	48,504	5,000	22,703	504,358
Administration services	1,508,049	196,240	-	11,773	1,716,062
Operation and maintenance of plant services	1,430,219	65,985	-	198,224	1,694,428
Transportation services	646,186	-	-	34,924	681,110
	4,448,567	310,729	5,000	267,624	5,031,920
Other expenditures:					
Facilities acquisition	-	71,881	-	-	71,881
Principal on long-term debt	-	-	1,585,000	-	1,585,000
Interest on long-term debt	-	-	991,607	-	991,607
AEA flowthrough	583,688	-	-	-	583,688
	583,688	71,881	2,576,607	-	3,232,176
Total expenditures	14,479,271	382,610	2,581,607	912,600	18,356,088
Excess (deficiency) of revenues under (over) expenditures	1,103,147	1,509,120	(1,501,913)	231,428	1,341,782
Other financing sources (uses):					
Interfund transfers in	22,277	-	1,497,548	-	1,519,825
Interfund transfers out	-	(1,497,548)	-	(22,277)	(1,519,825)
Total other financing sources (uses)	22,277	(1,497,548)	1,497,548	(22,277)	-
Net change in fund balance	1,125,424	11,572	(4,365)	209,151	1,341,782
Fund balances, beginning of year	134,304	2,844,647	108,967	560,883	3,648,801
Fund balances, end of year	\$ 1,259,728	\$ 2,856,219	\$ 104,602	\$ 770,034	\$ 4,990,583

See Notes to Financial Statements.

Ballard Community School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

Net change in fund balances - total governmental funds \$ 1,341,782

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

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

Expenditures for capital assets	\$ 135,524	
Depreciation expense	(1,096,978)	
Loss on sale of property and equipment	-	(961,454)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues. 24,311

The increase in net position of the Internal Service Fund represents an overcharge to the governmental funds and is incorporated into the change in net position of governmental activities. 103,305

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

Repayment of long-term debt 1,585,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,803

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

Change in early retirement	117,321	
Change in compensated absences	7,183	
Change in Net OPEB liability	(104,164)	20,340

Change in net position of governmental activities \$ 2,115,087

See Notes to Financial Statements.

Ballard Community School District

Statement of Net Position

Proprietary Funds

June 30, 2014

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 656	\$ 298,169
Accounts receivable	56,519	-
Inventories	5,138	-
Prepaid expenses	-	-
Capital assets, net of accumulated depreciation	11,170	-
Total assets	73,483	298,169
Liabilities		
Claims incurred but not reported	-	3,400
Due to other funds	5,000	-
Unearned revenue, other	16,499	-
Total liabilities	21,499	3,400
Net Position		
Net investment in capital assets	11,170	-
Unrestricted	40,814	294,769
Total net position	\$ 51,984	\$ 294,769

See Notes to Financial Statements.

Ballard Community School District

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2014

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources, charges for services	\$ 524,479	\$ 124,533
Operating expenses:		
Noninstructional programs:		
Salaries	292,888	-
Benefits	83,687	20,922
Purchased services	22,841	1,430
Supplies	402,077	-
Depreciation	2,824	-
Total operating expenses	804,317	22,352
Operating income (loss)	(279,838)	102,181
Nonoperating revenues:		
Interest on investments	42	1,124
State sources	6,527	-
Federal sources	243,686	-
Total nonoperating revenues	250,255	1,124
Change in net position	(29,583)	103,305
Net position, beginning of year	81,567	191,464
Net position, end of year	\$ 51,984	\$ 294,769

See Notes to Financial Statements.

Ballard Community School District

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014**

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of services	\$ 545,063	\$ 124,624
Cash payments for claims	-	(20,729)
Cash payments to employees for services	(376,575)	-
Cash payments to suppliers for goods or services	(393,191)	(1,430)
Net cash provided by (used in) operating activities	(224,703)	102,465
Cash flows from noncapital financing activities:		
Proceeds from other funds	5,000	-
State grants received	6,527	-
Federal grants received	211,959	-
Net cash provided by noncapital financing activities	223,486	-
Cash flows from capital and related financing activities, purchase of capital assets		
	-	-
Cash flows from investing activities, interest on investments		
	42	1,124
Net increase (decrease) in cash and cash equivalents	(1,175)	103,589
Cash and cash equivalents, beginning of year	1,831	194,580
Cash and cash equivalents, end of year	\$ 656	\$ 298,169
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (279,838)	\$ 102,181
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,824	-
Commodities used	31,727	-
Decrease in accounts receivable	18,175	91
Increase in claims incurred but not reported	-	193
Increase in unearned revenue	2,409	-
Net cash provided by (used in) operating activities	\$ (224,703)	\$ 102,465

Noncash: Noncapital financing activities:

During the year ended June 30, 2014, the District used \$31,727 of federal commodities.

See Notes to Financial Statements.

Ballard Community School District

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2014

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 4,302</u>
Liabilities	
Accounts payable	<u>\$ 4,302</u>

See Notes to Financial Statements.

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Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

Reporting entity:

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

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

Basis of presentation:

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

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

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

Measurement focus and basis of accounting:

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. 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.

Revenues-exchange and nonexchange: Property taxes, other taxes, 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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 is 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.

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, liabilities and fund equity:

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from other governments: Due from other governments represents amounts due from the state of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net 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	\$ 1
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

Compensated absences: District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay

Ballard Community School District

Notes to Basic Financial Statements

Note. 1 Summary of Significant Accounting Policies (Continued)

in effect as of June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and by the Special Revenue Fund, Management Levy.

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received but not earned. Unearned revenue consists primarily of meal revenues collected for the next school year.

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

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

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

Committed: Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The authority to assign fund balances has been delegated to the Business Manager.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District does not have deferred outflows of resources as of June 30, 2014.

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax, income surcharge tax, and property tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's government-wide statements, only the succeeding year property tax revenue remains as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which levied.

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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:

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

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted by enabling legislation as of June 30, 2014 consists of \$322,241 for categorical funding, \$538,779 for management levy purposes, \$75,602 for physical plant and equipment levy, \$1,670,172 for school infrastructure, and \$104,602 for debt service. Net position restricted by contributors for student activities was \$231,255 and by other grantors for curriculum was \$51,173.

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.

Net position flow assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Ballard Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Budgets and budgetary control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information based on the program structure of four functional areas as required by state statute for its legally adopted budget.

Note 2. Cash and Pooled Investments

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As of June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,912,637 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust as rated AAAM by Standard & Poor's Rating Service. The District does not have a separate credit risk policy from state statutes.

Ballard Community School District

Notes to Basic Financial Statements

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
Debt Service Fund	Capital Projects Fund	\$ 1,497,548
General Fund	Nonmajor, Student Activity Fund	22,277
		<u>\$ 1,519,825</u>

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

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 791,512	\$ -	\$ -	\$ 791,512
Construction in progress	101,784	-	91,784	10,000
Total capital assets not being depreciated	<u>893,296</u>	<u>-</u>	<u>91,784</u>	<u>801,512</u>
Capital assets being depreciated:				
Buildings	40,987,806	91,784	-	41,079,590
Improvements other than buildings	1,781,138	121,821	55,083	1,847,876
Furniture and equipment	2,820,516	13,703	-	2,834,219
Total capital assets being depreciated	<u>45,589,460</u>	<u>227,308</u>	<u>55,083</u>	<u>45,761,685</u>
Less accumulated depreciation for:				
Buildings	7,381,765	868,090	-	8,249,855
Improvements other than buildings	1,396,247	55,043	55,083	1,396,207
Furniture and equipment	1,769,661	173,845	-	1,943,506
Total accumulated depreciation	<u>10,547,673</u>	<u>1,096,978</u>	<u>55,083</u>	<u>11,589,568</u>
Total capital assets being depreciated, net	<u>35,041,787</u>	<u>(869,670)</u>	<u>-</u>	<u>34,172,117</u>
Governmental activities capital assets, net	<u>\$ 35,935,083</u>	<u>\$ (869,670)</u>	<u>\$ 91,784</u>	<u>\$ 34,973,629</u>
Business-type activities:				
Furniture and equipment	\$ 48,869	\$ -	\$ 14,985	\$ 33,884
Less accumulated depreciation	34,875	2,824	14,985	22,714
Business-type activities capital assets, net	<u>\$ 13,994</u>	<u>\$ (2,824)</u>	<u>\$ -</u>	<u>\$ 11,170</u>

Ballard Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

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

Governmental activities:	
Unallocated depreciation	<u>\$ 1,096,978</u>
Business-type activities, food service operations	<u>\$ 2,824</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 156,702	\$ -	\$ 117,321	\$ 39,381	\$ 39,381
Compensated absences	35,000	27,817	35,000	27,817	27,817
Net OPEB liability	70,940	148,419	44,255	175,104	-
General obligation bonds	12,665,000	-	585,000	12,080,000	605,000
Capital loan notes	1,250,000	-	305,000	945,000	310,000
Revenue bonds	10,965,000	-	695,000	10,270,000	500,000
Total	<u>\$ 25,142,642</u>	<u>\$ 176,236</u>	<u>\$ 1,781,576</u>	<u>\$ 23,537,302</u>	<u>\$ 1,482,198</u>

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

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

As of June 30, 2014, the District had obligations to 5 participants with a total liability of \$39,381. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$117,321. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements. The early retirement liability is paid primarily from the Management Fund.

Ballard Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

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

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

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

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

Year Ending June 30	Bond Issue of November 24, 2009			Bond Issue of October 1, 2010			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2015	3.50%	\$ 380,000	\$ 365,605	2.00%	\$ 225,000	\$ 107,738	\$ 1,075,443
2016	3.50	400,000	352,305	2.00	225,000	103,238	1,080,543
2017	4.00	425,000	336,305	2.00	225,000	98,738	1,085,043
2018	4.00	450,000	319,305	2.50	230,000	93,113	1,092,418
2019	4.00	475,000	301,305	2.60	230,000	87,362	1,093,667
2020-2024	3.90-4.25	2,810,000	1,199,313	2.75-3.15	1,155,000	342,398	5,506,711
2025-2029	4.35-5.00	3,575,000	526,254	3.25-4.00	1,275,000	152,120	5,528,374
		<u>8,515,000</u>	<u>3,400,392</u>		<u>3,565,000</u>	<u>984,706</u>	<u>16,462,198</u>

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

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

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

Ballard Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

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

Year Ending June 30	Capital Loan Note of June 7, 2011			Capital Loan Note of July 11, 2011			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2015	1.60%	\$ 235,000	\$ 14,072	2.40%	\$ 75,000	\$ 5,344	\$ 329,416
2016	2.00	240,000	10,312	2.40	75,000	3,563	328,875
2017	2.25	245,000	5,512	2.40	75,000	1,782	327,294
		<u>720,000</u>	<u>29,896</u>		<u>225,000</u>	<u>10,689</u>	<u>985,585</u>

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

Year Ending June 30	Revenue Bonds Issuance December 1, 2009			
	Interest Rate	Principal	Interest	Total
2014	3.50%	\$ 500,000	\$ 459,188	\$ 959,188
2016	4.00	460,000	443,638	903,638
2017	4.00	475,000	426,088	901,088
2018	4.00	490,000	406,788	896,788
2019	4.00	510,000	386,787	896,787
2020-2024	4.00-5.00	2,895,000	1,587,619	4,482,619
2025-2029	5.00	3,625,000	798,875	4,423,875
2030	5.00	1,315,000	44,625	1,359,625
		<u>\$ 10,270,000</u>	<u>\$ 4,553,607</u>	<u>\$ 14,823,607</u>

Ballard Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

The District has pledged future statewide sales, services and use tax revenues to repay the \$12,300,000 bonds issued in December 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the revenue bonds is \$14,823,607. For the current year, \$1,075,443 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,328,469.

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

- a. \$1,177,445 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if sufficient money is not available in the sinking account. The balance of the proceeds shall be deposited to the project account. The required reserve account had a balance of \$1,177,445 on June 30, 2014.
- b. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c. Monies in the revenue account shall be disbursed to make deposits into a sinking fund account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The sinking fund account had a balance of \$734,096 on June 30, 2014.
- d. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Iowa School Cash Anticipation Program (ISCAP): The District participated in the Iowa School Cash Anticipation Program. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school district is based on a projection of cash flow needs during the annual period. Bankers Trust Co. NA is the trustee for the program. The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District's 2013-2014 Series One warrant amount is \$2,399,000 with an interest rate of 1.20% plus the one-month LIBOR rate, adjusted daily. The District paid \$30,000 for cost of issuance on July 23, 2013. The District made no further draws on the warrant during the year ended June 30, 2014.

Ballard Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 145 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical plan is provided through a fully-insured program provided by Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit subsidy and an OPEB liability. In addition, there are 5 retired members that receive an explicit subsidy.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	149,825
Interest on net OPEB obligation		1,774
Adjustment to annual required contribution		3,180
Annual OPEB cost		<u>148,419</u>
Contributions made		<u>(44,255)</u>
Increase in net OPEB obligation		104,164
Net OPEB obligation beginning of year		70,940
Net OPEB obligation end of year	\$	<u><u>175,104</u></u>

Ballard Community School District

Notes to Basic Financial Statements

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 79,248	140.1%	\$ (31,801)
June 30, 2013	171,116	40.0%	70,940
June 30, 2014	148,419	29.8%	175,104

Funded status and funding progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$703,258 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$703,258. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,785,000 and the ratio of the UAAL to covered payroll was 8.01 percent. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent.

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

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

Ballard Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95 percent of their annual covered salary and the District is required to contribute 8.93 percent of annual covered payroll for the year ended June 30, 2014. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$784,526, \$802,324, and \$730,806 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

The District is partially self-funded only for individuals electing the individual \$500 deductible health plan. For this plan, the District funds claims between the individual \$500 deductible and the \$1,500 deductible plan with the insurance company. Payments are made to the plan based on amounts needed to pay prior and current year claims. Changes in the claims liability amounts for the years ended June 30, 2014 and 2013 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2013	\$ 1,009	\$ 27,696	\$ 25,498	\$ 3,207
2014	3,207	20,310	20,117	3,400

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$583,688 for the year ended June 30, 2014 and is recorded in the General Fund.

Ballard Community School District

Notes to Basic Financial Statements

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding as of June 30, 2014 is comprised of the following programs:

Program	Amount
Limited english proficiency	\$ 293
Home school assistance	105,275
Dropout prevention	61,561
Beginning teacher mentoring	650
Teacher salary supplement	8,265
Market factor	9,019
Successful progression for early readers	24,503
Professional development for model core	72,225
Professional development	22,341
Market factor incentives	7,392
Teacher leadership	10,717
Total	\$ 322,241

Note 11. Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2014:

GASB Statement No. 66, *Technical Corrections – 2012*. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

Ballard Community School District

Notes to Basic Financial Statements

Note 11. Governmental Accounting Standards Board (GASB) (Continued)

The implementation of the above statements did not have a material impact to the District's financial statements. As of June 30, 2014, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, is effective for the District beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013, will be effective upon the implementation of GASB Statement No. 68, beginning with the year ending June 30, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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

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Ballard Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2014**

	Governmental Funds - Actual	Enterprise Fund - Actual	Total Actual
Revenues:			
Local sources	\$ 8,149,087	\$ 524,521	\$ 8,673,608
State sources	11,250,360	6,527	11,256,887
Federal sources	298,423	243,686	542,109
Total revenues	19,697,870	774,734	20,472,604
Expenditures/expenses:			
Instruction	10,091,992	-	10,091,992
Support services	5,031,920	-	5,031,920
Noninstructional programs	-	804,317	804,317
Other expenditures	3,232,176	-	3,232,176
Total expenditures/expenses	18,356,088	804,317	19,160,405
Excess (deficiency) of revenues over (under) expenditures/expenses	1,341,782	(29,583)	1,312,199
Other financing sources (uses):			
Proceeds from disposal of property	-	-	-
Proceeds from long-term debt	-	-	-
Interfund transfers in	1,519,825	-	1,519,825
Interfund transfers out	(1,519,825)	-	(1,519,825)
Total other financing sources (uses)	-	-	-
Net change in fund balance	1,341,782	(29,583)	1,312,199
Balance, beginning of year	3,648,801	81,567	3,730,368
Balance, end of year	\$ 4,990,583	\$ 51,984	\$ 5,042,567

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 10,090,743	\$ 10,090,743	\$	(1,417,135)
10,149,343	10,149,343		1,107,544
455,500	455,500		86,609
<u>20,695,586</u>	<u>20,695,586</u>		<u>(222,982)</u>
10,180,567	10,485,468		393,476
5,623,877	5,623,877		591,957
751,550	885,733		81,416
3,609,312	3,609,312		377,136
<u>20,165,306</u>	<u>20,604,390</u>		<u>1,443,985</u>
530,280	91,196		1,221,003
-	-		-
-	-		-
1,501,071	1,501,071		18,754
<u>(1,501,071)</u>	<u>(1,501,071)</u>		<u>(18,754)</u>
-	-		-
530,280	91,196		1,221,003
3,730,368	3,730,368		-
<u>\$ 4,260,648</u>	<u>\$ 3,821,564</u>	<u>\$</u>	<u>1,221,003</u>

Ballard Community School District

Note to Required Supplementary Information – Budgetary Reporting

Note 1. Budgets and Budgetary Information

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$439,084.

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

Ballard Community School District

**Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
Year Ended June 30, 2014**

Year Ended June 30:	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	-	660,000	660,000	0.00%	8,391,000	7.87%
2011	7/1/2009	-	608,267	608,267	0.00%	8,498,000	7.16%
2012	7/1/2009	-	608,267	608,267	0.00%	9,065,000	6.71%
2013	7/1/2012	-	739,192	739,192	0.00%	9,629,000	7.68%
2014	7/1/2012	-	703,258	703,258	0.00%	8,785,000	8.01%

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

Ballard Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 528,765	\$ 238,089	\$ 766,854
Receivables:			
Property tax:			
Current year	4,645	-	4,645
Succeeding year	300,001	-	300,001
Accounts	5,369	535	5,904
Total assets	\$ 838,780	\$ 238,624	\$ 1,077,404
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities, accounts payable	\$ -	\$ 7,369	\$ 7,369
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	300,001	-	300,001
Fund balances, restricted	538,779	231,255	770,034
Total liabilities, deferred inflows of resources and fund balances	\$ 838,780	\$ 238,624	\$ 1,077,404

Ballard Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 697,879	\$ -	\$ 697,879
Other	11,905	433,965	445,870
State sources	279	-	279
Total revenues	710,063	433,965	1,144,028
Expenditures:			
Current:			
Instruction	231,223	413,753	644,976
Support services:			
Instructional staff services	20,993	1,710	22,703
Administration services	11,773	-	11,773
Operating and maintenance of plant services	198,224	-	198,224
Transportation services	34,924	-	34,924
Total expenditures	497,137	415,463	912,600
Other financing sources (uses),			
Transfers out	-	(22,277)	(22,277)
Net change in fund balances	212,926	(3,775)	209,151
Fund balances, beginning of year	325,853	235,030	560,883
Fund balances, end of year	\$ 538,779	\$ 231,255	\$ 770,034

Ballard Community School District

**Schedule of Combining Balance Sheet
Capital Project Fund - By Account
June 30, 2014**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 664,572	\$ 74,478	\$ 739,050
Restricted cash and investments	1,911,541	-	1,911,541
Receivables:			
Property tax:			
Current year	-	1,124	1,124
Succeeding year	-	392,576	392,576
Income surcharge tax	-	156,124	156,124
Accounts	283,824	-	283,824
Total assets	\$ 2,859,937	\$ 624,302	\$ 3,484,239
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities, accounts payable	\$ 12,320	-	\$ 12,320
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	-	392,576	392,576
Income surcharge tax	-	156,124	156,124
Statewide sales, services and use tax	67,000	-	67,000
Total deferred inflows of resources	67,000	548,700	615,700
Fund Balances:			
Restricted for:			
School infrastructure	2,780,617	-	2,780,617
Physical plant and equipment	-	75,602	75,602
Total fund balances	2,780,617	75,602	2,856,219
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,859,937	\$ 624,302	\$ 3,484,239

Ballard Community School District

**Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Project Fund - By Account
Year Ended June 30, 2014**

	Capital Projects Accounts		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 557,578	\$ 557,578
Other	2,542	3,021	5,563
State sources	1,328,469	120	1,328,589
Total revenues	1,331,011	560,719	1,891,730
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	48,504	48,504
Administration services	30,760	165,480	196,240
Operation and maintenance of plant services	-	65,985	65,985
Other expenditures, facilities acquisition	-	71,881	71,881
Total expenditures	30,760	351,850	382,610
Excess (deficiency) of revenues over (under) expenditures	1,300,251	208,869	1,509,120
Other financing sources (uses), Transfers out	(1,172,113)	(325,435)	(1,497,548)
Net change in fund balance	128,138	(116,566)	11,572
Fund balance, beginning of year	2,652,479	192,168	2,844,647
Fund balance, end of year	\$ 2,780,617	\$ 75,602	\$ 2,856,219

Ballard Community School District

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2014**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/ Speech	\$ 908	\$ 8,640	\$ 7,323	\$ 2,225
Vocal Music	13,175	86,120	91,275	8,020
Middle School Vocal	2,483	9,691	5,949	6,225
West Elementary Vocal	70	-	50	20
Instrumental Music	39,263	13,674	13,243	39,694
Music Account	-	6,200	6,200	-
Elementary Band	4,554	4,033	5,038	3,549
East Elementary Vocal	31	-	-	31
Dance Team	3,155	6,614	5,001	4,768
Yearbook	3,215	1,428	4,030	613
Elementary Activities	1,109	101	456	754
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	3,760	3,489	1,435	5,814
Cheer Team	1,516	13,289	11,943	2,862
High School Library Coffee Shop	578	2,341	2,468	451
Spanish Club	2,055	-	-	2,055
Game Changers	305	135	93	347
Junior High Student Council	280	2,419	1,708	991
Senior High Student Council	2,858	9,851	8,597	4,112
National Honor Society	2,127	5,587	7,164	550
Conflict Managers	1,966	2,409	3,419	956
East Elementary Student Council	9,236	13,732	10,237	12,731
West Elementary Student Council	22,128	21,025	34,027	9,126
Class of 2013	490	-	490	-
Class of 2014	2,856	1,864	4,125	595
Class of 2015	94	15,181	11,234	4,041
Class of 2016	22	157	83	96
Class of 2017	-	131	22	109
Class of 2018	-	-	-	-
Class of 2019	-	-	-	-
Class of 2020	-	489	312	177
Weight Program	1,481	-	-	1,481
Athletic Director	60,554	82,234	72,673	70,115
Boys Basketball	5,552	8,495	8,487	5,560
Football	15,719	23,784	29,372	10,131
Soccer	1,522	5,976	5,592	1,906
Baseball	2,587	10,881	11,949	1,519
Boys Track	2,331	7,338	7,338	2,331
Boys Tennis	821	391	391	821
Boys Golf	743	1,972	1,972	743
Wrestling	3,649	7,061	7,061	3,649
Girls Basketball	7,278	11,190	11,190	7,278
Volleyball	5,140	5,463	5,463	5,140
Girls Soccer	1,747	3,926	3,926	1,747
Girls Softball	3,286	10,836	10,860	3,262
Girls Track	2,245	10,970	10,732	2,483
Girls Tennis	1,325	1,242	1,031	1,536
Girls Golf	556	788	788	556
Concessions	175	35,855	36,030	-
Intrafund transfers	-	(23,037)	(23,037)	-
Totals	\$ 235,030	\$ 433,965	\$ 437,740	\$ 231,255

Ballard Community School District

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Fund

Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 4,630	\$ 72,951	\$ 73,279	\$ 4,302
Liabilities				
Accounts payable	\$ 4,630	\$ 72,951	\$ 73,279	\$ 4,302

Ballard Community School District

**Schedule of Changes in Agency Fund by Account
Year Ended June 30, 2014**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Account				
Character Education Council	\$ -	\$ -	\$ -	-
Ballard Foundation	-	67,960	67,960	-
Wellness Team	82	1,570	1,386	266
GARP	1,597	-	-	1,597
East Elementary	1,240	1,205	1,742	703
Junior-Senior High	259	1,008	1,033	234
West Elementary	1,452	1,208	1,158	1,502
Total	<u>\$ 4,630</u>	<u>\$ 72,951</u>	<u>\$ 73,279</u>	<u>\$ 4,302</u>

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Ballard Community School District

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds - Modified Accrual Basis

Last Ten Years

	Years Ended June 30:			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 6,422,547	\$ 7,556,219	\$ 7,525,676	\$ 7,117,650
Tuition	1,022,061	995,118	947,571	942,213
Other	704,479	651,908	736,983	581,288
State sources	11,250,360	9,442,018	9,395,275	8,675,653
Federal sources	298,423	214,268	502,440	457,161
Total revenues	\$ 19,697,870	\$ 18,859,531	\$ 19,107,945	\$ 17,773,965
Expenditures:				
Instruction	\$ 10,091,992	\$ 10,509,305	\$ 10,445,859	\$ 9,391,240
Support services:				
Student services	435,962	461,705	452,895	425,010
Instructional staff services	504,358	713,722	567,139	793,267
Administration services	1,716,062	1,575,133	1,751,222	1,650,802
Operation and maintenance of plant services	1,694,428	1,681,878	1,640,677	1,116,783
Transportation services	681,110	793,592	753,160	617,300
Noninstructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	71,881	306,940	3,628,808	13,608,332
Long-term debt:				
Principal	1,585,000	1,540,000	1,500,000	655,000
Interest and fiscal charges	991,607	1,031,725	1,066,844	1,078,398
AEA flowthrough	583,688	549,578	541,828	573,796
Total expenditures	\$ 18,356,088	\$ 19,163,578	\$ 22,348,432	\$ 29,909,928

							Years Ended June 30:					
2010		2009		2008		2007		2006		2005		
\$	6,696,028	\$	5,891,714	\$	5,329,018	\$	4,879,386	\$	4,627,185	\$	4,598,049	
	866,226		830,879		878,697		811,694		773,489		649,687	
	534,534		546,549		693,691		643,936		509,553		438,186	
	7,306,731		7,843,517		7,388,811		6,872,971		6,014,905		5,693,100	
	948,258		363,330		184,504		177,730		219,892		184,202	
<u>\$</u>	<u>16,351,777</u>	<u>\$</u>	<u>15,475,989</u>	<u>\$</u>	<u>14,474,721</u>	<u>\$</u>	<u>13,385,717</u>	<u>\$</u>	<u>12,145,024</u>	<u>\$</u>	<u>11,563,224</u>	
\$	8,896,018	\$	8,617,706	\$	7,884,661	\$	7,577,797	\$	7,030,787	\$	6,610,369	
	392,979		432,881		363,167		298,544		364,469		341,803	
	530,874		600,766		505,584		389,501		594,030		451,892	
	1,397,948		1,300,294		1,454,255		1,310,795		1,103,129		834,437	
	1,081,806		1,102,680		1,040,844		983,383		1,070,935		1,006,349	
	662,198		557,309		577,067		537,001		622,261		419,560	
	2,951		3,091		4,730		2,776		5,224		4,199	
	8,734,116		2,217,070		766,441		177,431		1,767,109		1,555,035	
	5,900,000		1,000,000		2,120,000		375,000		1,160,000		947,296	
	364,160		209,768		242,930		260,743		303,280		228,619	
	554,040		485,745		442,195		407,705		362,333		344,575	
<u>\$</u>	<u>28,517,090</u>	<u>\$</u>	<u>16,527,310</u>	<u>\$</u>	<u>15,401,874</u>	<u>\$</u>	<u>12,320,676</u>	<u>\$</u>	<u>14,383,557</u>	<u>\$</u>	<u>12,744,134</u>	

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

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

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

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2014-001 through 2014-003 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Ballard Community School District's operations for the year ended June 30, 2014 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.

Ballard Community School District's Responses to Findings

Ballard Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Ballard 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Overland Park, Kansas
December 18, 2014

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2014**

Part I: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2014-001

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

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

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

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

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

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

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

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

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2014**

2014-002

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

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

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

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

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

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

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

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

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

Ballard Community School District

Schedule of Findings and Responses Year Ended June 30, 2014

2014-003

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

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

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

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

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

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

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

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

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2014**

Part II: Other Findings Related to Statutory Reporting

II-A-14

Certified Budget – Expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted at year-end.

II-B-14

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

II-C-14

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-14

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

II-E-14

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-14

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

II-G-14

Certified Enrollment:

Finding: The Department of Management identified variances in the certified enrollment certified to the state in October 2013.

Recommendation: We recommend the District review enrollment figures prior to submission to ensure accuracy of the information certified to the state.

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

Conclusion: Response accepted.

II-H-14

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

Ballard Community School District

**Schedule of Findings and Responses
Year Ended June 30, 2014**

II-I-14

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

II-J-14

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

II-K-14

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

II-L-14

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales and services tax revenue:

Beginning balance	\$ 2,652,479
Revenue / transfers in:	
Statewide sales and services tax revenue	1,328,469
Transfers in/other	2,542
Expenditures/transfers out:	
Transfers out	1,172,113
Other	30,760
Ending balance	<u>\$ 2,780,617</u>

For the year ended June 30, 2014, the District did not reduce tax levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.