

BEDFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September Election)		
Layne Thornton	President	2013
Mike Irvin	Vice President	2013
Jack Spencer	Board Member	2015
Roger Ritchie	Board Member	2015
Joe Murphy	Board Member	2015
<b>Board of Education</b> (After September Election)		
Mike Irvin	President	2017
Jack Spencer	Vice President	2015
Roger Ritchie	Board Member	2015
Joe Murphy	Board Member	2015
James Johnson	Board Member	2017
<b>School Officials</b>		
Joe Drake	Superintendent	2014
Sharon Hart	District Secretary/Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014

# **BEDFORD COMMUNITY SCHOOL DISTRICT**

**HOME OF THE BULLDOGS**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2015 on our consideration of Bedford Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bedford Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2015  
Newton, Iowa

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

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,389,683 in fiscal 2013 to \$5,303,408 in fiscal 2014, while General Fund expenditures decreased from \$5,444,334 in fiscal 2013 to \$5,401,751 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$537,783 at June 30, 2013 to a balance of \$439,440 at June 30, 2014, a 18.29% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state and federal sources of revenue in fiscal 2014. The decrease in expenditures was due mainly in part to decreased spending in the instruction functional area.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

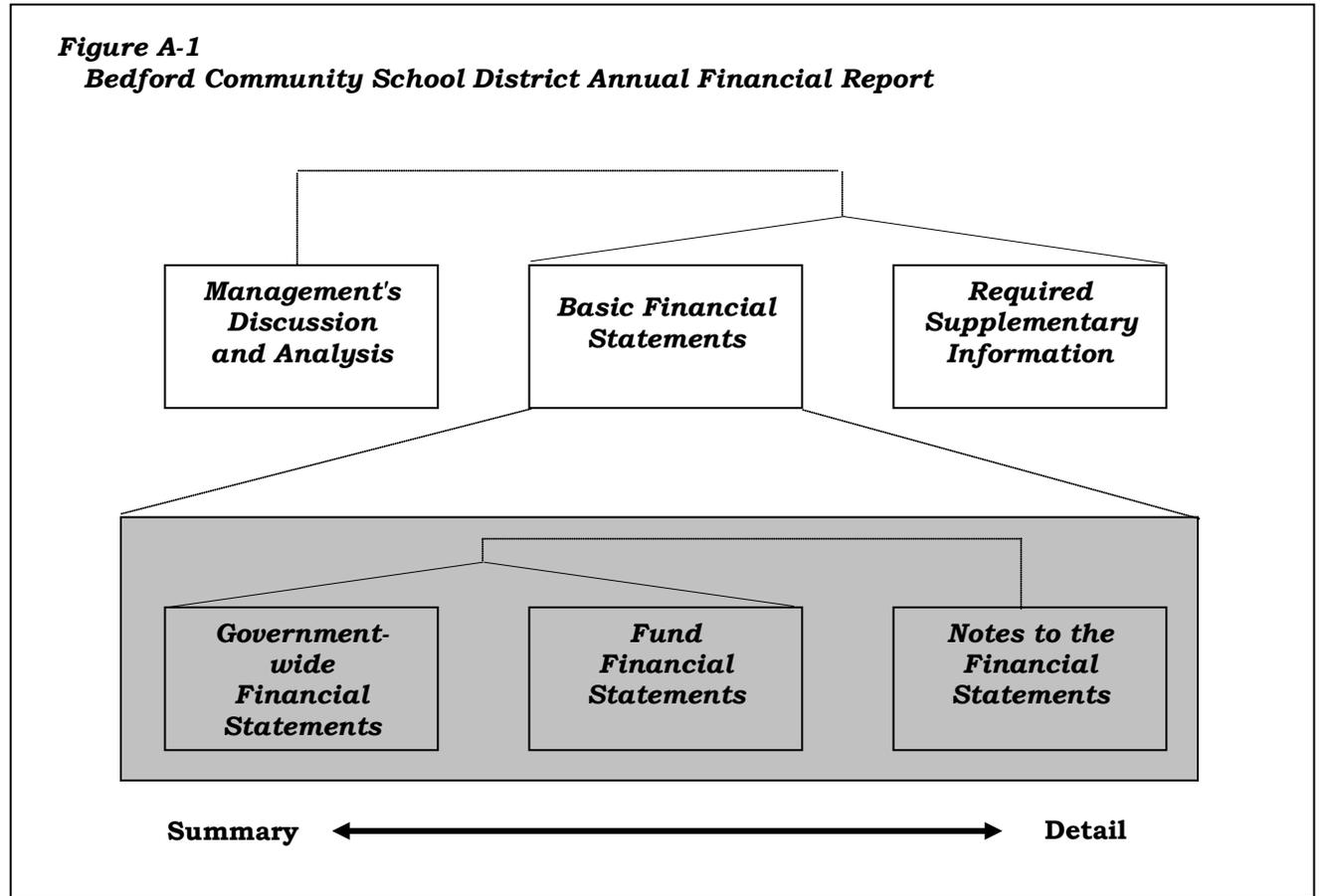


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,250,990	4,275,935	40,091	36,256	4,291,081	4,312,191	-0.49%
Capital assets	4,755,452	4,950,893	6,758	7,346	4,762,210	4,958,239	-3.95%
Total assets	9,006,442	9,226,828	46,849	43,602	9,053,291	9,270,430	-2.34%
Long-term obligations	74,057	478,896	871	1,104	74,928	480,000	-84.39%
Other liabilities	645,259	650,816	20,330	19,796	665,589	670,612	-0.75%
Total liabilities	719,316	1,129,712	21,201	20,900	740,517	1,150,612	-35.64%
Deferred inflows of resources	2,136,243	1,987,605	-	-	2,136,243	1,987,605	7.48%
Net position:							
Net investment in capital assets	4,755,452	4,530,893	6,758	7,346	4,762,210	4,538,239	4.94%
Restricted	928,382	999,798	-	-	928,382	999,798	-7.14%
Unrestricted	467,049	578,820	18,890	15,356	485,939	594,176	-18.22%
Total net position	\$ 6,150,883	6,109,511	25,648	22,702	6,176,531	6,132,213	0.72%

The District's combined net position increased by 0.72%, or \$44,318 compared to the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's

restricted net position decreased \$71,416, or 7.14% from the prior year. The decrease in restricted net position is due in part to the decrease in fund balance for the General Fund accounts balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$108,237 or 18.22%. The decrease in unrestricted net position is mainly attributable to the decrease in the fund balance for the General Fund.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2014	2013	2014	2013	2014	2013	2013-14	
Revenues:							
Program revenues:							
Charges for service	\$ 482,203	474,379	101,418	106,128	583,621	580,507	0.54%
Operating grants, contributions and restricted interest	524,865	508,283	160,473	168,791	685,338	677,074	1.22%
Capital grants, contributions and restricted interest	50,643	15,400	-	-	50,643	15,400	228.85%
General revenues:							
Property tax	1,991,349	1,962,683	-	-	1,991,349	1,962,683	1.46%
Income surtax	206,977	189,537	-	-	206,977	189,537	9.20%
Statewide sales, services and use tax	436,618	437,335	-	-	436,618	437,335	-0.16%
Unrestricted state grants	2,492,517	2,568,404	-	-	2,492,517	2,568,404	-2.95%
Unrestricted investment earnings	327	1,137	-	-	327	1,137	-71.24%
Other	36,575	94,281	636	652	37,211	94,933	-60.80%
Total revenues	<u>6,222,074</u>	<u>6,251,439</u>	<u>262,527</u>	<u>275,571</u>	<u>6,484,601</u>	<u>6,527,010</u>	<u>-0.65%</u>
Program expenses:							
Instructional	3,713,763	3,657,076	-	-	3,713,763	3,657,076	1.55%
Support services	2,020,022	1,930,945	194	21	2,020,216	1,930,966	4.62%
Non-instructional programs	-	-	259,387	269,706	259,387	269,706	-3.83%
Other expenses	446,917	432,046	-	-	446,917	432,046	3.44%
Total expenses	<u>6,180,702</u>	<u>6,020,067</u>	<u>259,581</u>	<u>269,727</u>	<u>6,440,283</u>	<u>6,289,794</u>	<u>2.39%</u>
Change in net position	41,372	231,372	2,946	5,844	44,318	237,216	81.32%
Net position beginning of year	<u>6,109,511</u>	<u>5,878,139</u>	<u>22,702</u>	<u>16,858</u>	<u>6,132,213</u>	<u>5,894,997</u>	<u>4.02%</u>
Net position end of year	<u>\$ 6,150,883</u>	<u>6,109,511</u>	<u>25,648</u>	<u>22,702</u>	<u>6,176,531</u>	<u>6,132,213</u>	<u>0.72%</u>

In fiscal 2014, property tax and unrestricted state grants accounted for 72.06% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$6.48 million, of which approximately \$6.22 million was for governmental activities and approximately \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.65% decrease in revenues and a 2.39% increase in expenses. The increase in expenses was related to increased expenses in the instructional and support services functional area.

### Governmental Activities

Revenues for governmental activities were \$6,222,074 and expenses were \$6,180,702.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, long-term debt interest and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,713,763	3,657,076	1.55%	3,118,930	3,065,816	1.73%
Support services	2,020,022	1,930,945	4.61%	1,756,858	1,718,982	2.20%
Other expenses	446,917	432,046	3.44%	247,203	237,207	4.21%
Totals	<u>\$ 6,180,702</u>	<u>6,020,067</u>	<u>2.67%</u>	<u>5,122,991</u>	<u>5,022,005</u>	<u>2.01%</u>

For year ended June 30, 2014:

- The cost financed by users of the District's programs was \$482,203.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$575,508.
- The net cost of governmental activities was financed with \$1,991,349 in property tax, \$206,977 in income surtax, \$436,618 in statewide sales, services and use tax, \$2,492,517 in unrestricted state grants, \$327 in interest income, and \$36,575 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$262,527 and expenses were \$259,581. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenue.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,288,475, under last year's ending fund balances of a \$1,465,934. The primary reason for the decrease was the increase in the General Fund accounts balance.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. This is primarily due to decreased revenues from local and state sources. The decrease in revenues was more than the decrease in expenses resulting in a decrease in the General Fund balance from \$537,783 at June 30, 2013 to \$439,440 at June 30, 2014.

- The Capital Projects accounts balance increased from a balance of \$543,925 at the beginning of fiscal year 2014 to \$571,107 at the end of fiscal year 2014.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$22,702 at June 30, 2013 to \$25,648 at June 30, 2014, representing an increase of 12.98%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$73,200 less than budgeted revenues, a variance of 1.12%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had invested approximately \$4.76 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.95% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$298,509.

The original cost of the District's capital assets was \$9,518,814. Governmental funds account for \$9,401,022 with the remainder of \$117,792 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the Machinery and equipment category. The District's Machinery and equipment totaled \$269,918 at June 30, 2014 compared to \$250,409 at June 30, 2013. The increase in machinery and equipment is due to the District purchasing equipment for Nutrition services and Support services.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 34,900	34,900	-	-	34,900	34,900	0.00%
Buildings	4,205,427	4,400,592	-	-	4,205,427	4,400,592	-4.43%
Land improvements	251,965	272,338	-	-	251,965	272,338	-7.48%
Machinery and equipment	263,160	243,063	6,758	7,346	269,918	250,409	7.79%
Total	\$ 4,755,452	4,950,893	6,758	7,346	4,762,210	4,958,239	-3.95%

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## Long-Term Debt

At June 30, 2014, the District had \$74,927 in revenue bonds and other long-term debt outstanding. This represents a decrease of 84.39% from last year. (See Figure A-7) The decrease is mainly attributable to the district paying off their revenue bond early. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had termination benefit of \$27,585 at June 30, 2014.

The District had a net OPEB liability of \$47,342 at June 30, 2014.

	Figure A-7							
	Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2014	2013	2014	2013	2014	2013	2013-14		
Revenue bonds	\$ -	420,000	-	-	-	420,000	-100.00%	
Termination benefits	27,585	-	-	-	27,585	-	100.00%	
Net OPEB liability	46,471	58,896	871	1,104	47,342	60,000	-21.10%	
Total	\$ 74,056	478,896	871	1,104	74,927	480,000	-84.39%	

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment decreases continue to negatively impact the District's budget. However, administration does well to make the necessary cuts to expenditures in the upcoming budget so that the unspent budget authority can maintain at a steady pace. Past history has indicated spending authority has only dropped when the District intentionally uses it to fund "one-time" expenditures they feel are necessary.
- The District is aware of a drop in miscellaneous income and the fact that it may have a negative impact on the unspent authorized budget balance. The district plans to address the issue over the next few budget years.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**BEDFORD COMMUNITY  
SCHOOL DISTRICT**

**HOME OF THE BULLDOGS**

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,549,905	33,509	1,583,414
Receivables:			
Property tax:			
Delinquent	30,893	-	30,893
Succeeding year	2,136,243	-	2,136,243
Income surtax	181,013	-	181,013
Accounts	16,718	123	16,841
Due from other governments	336,218	-	336,218
Inventories	-	6,459	6,459
Capital assets, net of accumulated depreciation	4,755,452	6,758	4,762,210
<b>TOTAL ASSETS</b>	<b>9,006,442</b>	<b>46,849</b>	<b>9,053,291</b>
<b>LIABILITIES</b>			
Accounts payable	30,497	-	30,497
Due to other governments	72,900	-	72,900
Due to other funds	34,449	-	34,449
Salaries and benefits payable	503,118	16,819	519,937
Advance from Grantor	1,600		1,600
Other	2,695	-	2,695
Unearned revenue	-	3,511	3,511
Long-term liabilities:			
Portion due within one year:			
Termination benefits	27,586	-	27,586
Portion due after one year:			
Net OPEB liability	46,471	871	47,342
<b>TOTAL LIABILITIES</b>	<b>719,316</b>	<b>21,201</b>	<b>740,517</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Succeeding year property tax	2,136,243	-	2,136,243
<b>NET POSITION</b>			
Net investment in capital assets	4,755,452	6,758	4,762,210
Restricted for:			
Categorical funding	96,480	-	96,480
Management levy purposes	188,484	-	188,484
Student activities	72,311	-	72,311
School infrastructure	318,813	-	318,813
Physical plant and equipment	53,951	-	53,951
Other Capital Project	198,343	-	198,343
Unrestricted	467,049	18,890	485,939
<b>TOTAL NET POSITION</b>	<b>\$ 6,150,883</b>	<b>25,648</b>	<b>6,176,531</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Service	Operating Contributions and Restricted Interest	Grants and Restricted Interest	Capital Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,999,540	66,041	37,852	-	(1,895,647)	-	(1,895,647)
Special	708,673	17,825	63,171	-	(627,677)	-	(627,677)
Other	1,005,550	216,587	193,357	-	(595,606)	-	(595,606)
	<u>3,713,763</u>	<u>300,453</u>	<u>294,380</u>	<u>-</u>	<u>(3,118,930)</u>	<u>-</u>	<u>(3,118,930)</u>
Support services:							
Student	157,140	-	30,771	-	(126,369)	-	(126,369)
Instructional staff	318,991	33,344	-	-	(285,647)	-	(285,647)
Administration	679,535	141,045	-	-	(538,490)	-	(538,490)
Operation and maintenance of plant	577,784	-	-	-	(577,784)	-	(577,784)
Transportation	286,572	7,361	-	50,643	(228,568)	-	(228,568)
	<u>2,020,022</u>	<u>181,750</u>	<u>30,771</u>	<u>50,643</u>	<u>(1,756,858)</u>	<u>-</u>	<u>(1,756,858)</u>
Long-term debt interest	5,979	-	-	-	(5,979)	-	(5,979)
Other expenses:							
AEA flowthrough	199,714	-	199,714	-	-	-	-
Depreciation(unallocated)*	241,224	-	-	-	(241,224)	-	(241,224)
	<u>440,938</u>	<u>-</u>	<u>199,714</u>	<u>-</u>	<u>(241,224)</u>	<u>-</u>	<u>(241,224)</u>
Total governmental activities	<u>6,180,702</u>	<u>482,203</u>	<u>524,865</u>	<u>50,643</u>	<u>(5,122,991)</u>	<u>-</u>	<u>(5,122,991)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	194	-	-	-	-	(194)	(194)
Non-instructional programs:							
Food service operations	259,387	101,418	160,473	-	-	2,504	2,504
Total business type activities	<u>259,581</u>	<u>101,418</u>	<u>160,473</u>	<u>-</u>	<u>-</u>	<u>2,310</u>	<u>2,310</u>
Total	<u>\$ 6,440,283</u>	<u>583,621</u>	<u>685,338</u>	<u>50,643</u>	<u>(5,122,991)</u>	<u>2,310</u>	<u>(5,120,681)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,939,536	-		1,939,536
Capital outlay				51,813	-		51,813
Income surtax				206,977	-		206,977
Statewide sales, services and use tax				436,618	-		436,618
Unrestricted state grants				2,492,517	-		2,492,517
Unrestricted investment earnings				327	-		327
Other				36,575	636		37,211
Total general revenues				<u>5,164,363</u>	<u>636</u>		<u>5,164,999</u>
Change in net position				41,372	2,946		44,318
Net position beginning of year				6,109,511	22,702		6,132,213
Net position end of year				<u>\$ 6,150,883</u>	<u>25,648</u>		<u>6,176,531</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 930,960	345,472	273,473	1,549,905
Receivables:				
Property tax:				
Delinquent	27,757	804	2,332	30,893
Succeeding year	1,930,628	55,615	150,000	2,136,243
Income surtax	181,013	-	-	181,013
Accounts	14,261	-	2,457	16,718
Due from other governments	76,938	259,280	-	336,218
<b>TOTAL ASSETS</b>	<b>\$ 3,161,557</b>	<b>661,171</b>	<b>428,262</b>	<b>4,250,990</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 30,163	-	334	30,497
Due to other governments	72,900	-	-	72,900
Due to other funds	-	34,449	-	34,449
Salaries and benefits payable	503,118	-	-	503,118
Advance from Grantors	1,600	-	-	1,600
Other	2,695	-	-	2,695
<b>TOTAL LIABILITIES</b>	<b>610,476</b>	<b>34,449</b>	<b>334</b>	<b>645,259</b>
Deferred inflows of resources:				
Succeeding year property tax	1,930,628	55,615	150,000	2,136,243
Income surtax	181,013	-	-	181,013
Total deferred inflows of resources	2,111,641	55,615	150,000	2,317,256
Fund balances:				
Restricted for:				
Categorical funding	96,480	-	-	96,480
Management levy purposes	-	-	216,070	216,070
Student activities	-	-	72,311	72,311
School infrastructure	-	318,813	-	318,813
Physical plant and equipment	-	53,951	-	53,951
Other Capital Projects	-	198,343	-	198,343
Unassigned:				
General	342,960	-	-	342,960
Student activities	-	-	(10,453)	(10,453)
Total fund balances	439,440	571,107	277,928	1,288,475
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUD BALANCES</b>	<b>\$ 3,161,557</b>	<b>661,171</b>	<b>428,262</b>	<b>4,250,990</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,288,475
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,755,452
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		181,013
Long-term liabilities, including termination benefits, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(74,057)</u>
<b>Net position of governmental activities(page 18)</b>	\$	<u><u>6,150,883</u></u>

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,986,796	51,813	150,284	2,188,893
Tuition	71,834	-	-	71,834
Other	241,355	19	213,103	454,477
State sources	2,780,820	443,371	-	3,224,191
Federal sources	222,603	50,643	-	273,246
<b>TOTAL REVENUES</b>	<b>5,303,408</b>	<b>545,846</b>	<b>363,387</b>	<b>6,212,641</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,931,126	-	18,950	1,950,076
Special	690,445	-	-	690,445
Other	764,258	-	221,479	985,737
	<b>3,385,829</b>	<b>-</b>	<b>240,429</b>	<b>3,626,258</b>
Support services:				
Student	135,388	-	-	135,388
Instructional staff	310,248	-	-	310,248
Administration	658,615	1,392	-	660,007
Operation and maintenance of plant	456,238	-	119,631	575,869
Transportation	255,719	-	13,224	268,943
	<b>1,816,208</b>	<b>1,392</b>	<b>132,855</b>	<b>1,950,455</b>
Capital outlay	-	187,694	-	187,694
Long-term debt:				
Principal	-	-	420,000	420,000
Interest and fiscal charges	-	-	5,979	5,979
	<b>-</b>	<b>-</b>	<b>425,979</b>	<b>425,979</b>
Other expenditures:				
AEA flowthrough	199,714	-	-	199,714
<b>TOTAL EXPENDITURE</b>	<b>5,401,751</b>	<b>189,086</b>	<b>799,263</b>	<b>6,390,100</b>
Excess(Deficiency) of revenues over(under) expenditures	(98,343)	356,760	(435,876)	(177,459)
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfer in	-	201,698	331,276	532,974
Transfer out	-	(531,276)	(1,698)	(532,974)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(329,578)</b>	<b>329,578</b>	<b>-</b>
Change in fund balances	(98,343)	27,182	(106,298)	(177,459)
Fund balances beginning of year	537,783	543,925	384,226	1,465,934
Fund balances end of year	\$ 439,440	571,107	277,928	1,288,475

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds(page 22)** \$ (177,459)

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

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

Expenditures for capital assets	\$ 101,399	
Depreciation expense	(296,840)	(195,441)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 9,433

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 420,000

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

Termination benefits	(27,586)	
Other postemployment benefits	12,425	(15,161)

**Change in net position of governmental activities(page 19)** \$ 41,372

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 33,509
Accounts receivable	123
Inventories	6,459
<b>TOTAL CURRENT ASSETS</b>	<b>40,091</b>
 <b>NONCURRENT ASSETS:</b>	
Capital assets, net of accumulated depreciation	6,758
<b>TOTAL ASSETS</b>	<b>46,849</b>
 <b>LIABILITIES</b>	
Salaries and benefits payable	16,819
Unearned revenue	3,511
Net OPEB liability	871
<b>TOTAL LIABILITIES</b>	<b>21,201</b>
 <b>NET POSITION</b>	
Invested in capital assets	6,758
Unrestricted	18,890
<b>TOTAL NET POSITION</b>	<b>\$ 25,648</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 101,418
Miscellaneous	636
Total operating revenues	102,054
 Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	194
 Non-instructional programs:	
Food service operations:	
Salaries	85,670
Benefits	19,791
Services	215
Supplies	150,635
Other	1,407
Depreciation	1,669
	259,387
Total operating expenses	259,581
 Operating loss	(157,527)
 Non-operating revenues:	
State sources	2,518
Federal sources	157,955
Total non-operating revenues	160,473
 Change in net position	2,946
 Net position beginning of year	22,702
 Net position end of year	\$ 25,648

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,869
Cash received from miscellaneous	636
Cash payments to employees for services	(105,468)
Cash payments to suppliers for goods or services	(135,160)
Net cash used in operating activities	(138,123)
Cash flows from non-capital financing activities:	
State grants received	2,518
Federal grants received	141,695
Net cash provided by non-capital financing activities	144,213
Cash flows from capital financing activities:	
Acquisition of assets	(1,081)
Net increase in cash and cash equivalents	5,009
Cash and cash equivalents beginning of year	28,500
Cash and cash equivalents end of year	\$ 33,509
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (157,527)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,260
Depreciation	1,669
Decrease in inventories	1,172
Decrease in accounts receivable	2
Decrease in accounts payable	(141)
Increase in salaries and benefits payable	226
Increase in unearned revenue	449
Decrease in net OPEB liability	(233)
Net cash used by operating activities	\$ (138,123)

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

During the year ended June 30, 2014, the District received federal commodities valued at \$16,260.

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Private Purpose Trust	Agency
	Scholarship	
<b>ASSETS</b>		
Cash and pooled investments	\$ 1,342	-
Due from other governments	-	3,643
<b>TOTAL ASSETS</b>	1,342	3,643
<b>LIABILITIES</b>		
Due to other governments	-	3,643
<b>NET POSITION</b>		
Restricted for scholarships	\$ 1,342	-

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Contributions and Donations	\$ 2,575
Total additions	<u>2,575</u>
Deductions:	
Support Services:	
Administration	<u>2,475</u>
Change in net position	100
Net position beginning of year	<u>1,242</u>
Net position end of year	<u>\$ 1,342</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances**

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable 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, they have a maturity date no longer than three months.

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

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

year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

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

Advance from Grantors-Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not

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

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

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

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

Fund Balances – In the governmental fund financial statements, Fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

### **E. Budgeting and Budgetary Accounting**

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

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

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,421,057 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**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	Capital Projects: Statewide Sales, Services and Use Tax Fund	\$ 331,276
Capital Projects: Other Capital Projects	Capital Projects: Statewide Sales, Service and Use Tax Fund	200,000
Capital Projects: Physical Plant and Equipment Levy	Debt Service	1,698
		\$ 532,974

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

The transfer from the Statewide Sales, Services and Use Tax Fund to the Capital Projects: Other Capital Projects was to help pay costs of the Safe Room.

The transfer from the Debt Service Fund to the Capital Project: Physical Plant and Equipment Levy were to transfer excess funds out of debt service after the repayment of all debt.

**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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 34,900	-	-	34,900
Total capital assets not being depreciated	34,900	-	-	34,900
Capital assets being depreciated:				
Buildings	7,251,873	21,628	-	7,273,501
Land improvements	753,860	4,058	-	757,918
Machinery and equipment	1,261,490	75,713	2,500	1,334,703
Total capital assets being depreciated	9,267,223	101,399	2,500	9,366,122
Less accumulated depreciation for:				
Buildings	2,851,281	216,793	-	3,068,074
Land improvements	481,522	24,431	-	505,953
Machinery and equipment	1,018,427	55,616	2,500	1,071,543
Total accumulated depreciation	4,351,230	296,840	2,500	4,645,570
Total capital assets being depreciated, net	4,915,993	(195,441)	-	4,720,552
Governmental activities capital assets, net	\$ 4,950,893	(195,441)	-	4,755,452
<b>Business type activities:</b>				
Machinery and equipment	\$ 117,297	1,081	586	117,922
Less accumulated depreciation	109,951	1,669	586	111,034
Business type activities capital assets, net	\$ 7,346	(588)	-	6,758

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular		\$	1,246
Other			3,972
Support services:			
Instructional staff			-
Administration			5,300
Operation and maintenance			12,990
Transportation			32,108
			<u>55,616</u>
Unallocated depreciation			<u>241,224</u>
			<u>296,840</u>
Total governmental activities depreciation expense		\$	<u>296,840</u>
Business type activities:			
Food service operations		\$	<u>1,669</u>

### **Note 5. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 420,000	-	420,000	-	-
Termination benefits	-	27,585	-	27,585	27,585
Net OPEB liability	58,896	-	12,425	46,471	-
Total	\$ 478,896	27,585	432,425	74,056	27,585
<b>Business type activities:</b>					
Net OPEB liability	\$ 1,104	-	233	871	-

### **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012, were \$299,204, \$294,001 and \$262,707, respectively, equal to the required contributions for each year.

### **Note 7. Other Postemployment Benefits(OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides

medical benefits for employees, retirees and their spouses. There are 88 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	2,295
Adjustment to annual required contribution	<u>(10,952)</u>
Annual OPEB cost	29,343
Contributions made	<u>(42,000)</u>
Increase in net OPEB obligation	(12,657)
Net OPEB obligation beginning of year	<u>60,000</u>
Net OPEB obligation end of year	<u><u>\$ 47,343</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$42,000 to the medical plan. Retired members eligible for the plan contributed \$57,000 or 57.58% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	48,273	87.01%	44,430
2013	54,570	71.47%	60,000
2014	29,343	143.13%	47,343

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 \$392,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$392,000. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,675,717 and the ratio of the UAAL to covered payroll was 14.65%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the Projected Unit Credit Cost actuarial method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate starts at 10.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate.

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

Projected claim costs of the medical plan are \$603 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Risk Management**

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

#### **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 \$199,714 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Categorical Funding**

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

Program	Amount
Beginning Teacher Mentoring and Induction Program	\$ 7,579
Teacher Salary Supplement	25,816
Four-Year Old Preschool State Aid	20,684
Successful Progression for Early Readers	13,479
Professional Development for Model Core Curriculum	20,589
Professional Development	1,492
Teacher Leadership Grants	6,841
Total	<u>\$ 96,480</u>

**Note 11. Deficit Balances**

At June 30, 2014, the District had six accounts within the Student Activity Fund that had deficit unassigned balances totaling \$10,453.

**Note 12. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions- an Amendment of GASB No. 27. This statement will be implemented for the fiscal year June 30, 2015. The revised requirements established new financial reporting requirements for state local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employees' pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,715,204	102,054	2,817,258	3,223,559	3,223,559	(406,301)
State sources	3,224,191	2,518	3,226,709	2,853,309	2,853,309	373,400
Federal sources	273,246	157,955	431,201	471,500	471,500	(40,299)
<b>Total revenues</b>	<b>6,212,641</b>	<b>262,527</b>	<b>6,475,168</b>	<b>6,548,368</b>	<b>6,548,368</b>	<b>(73,200)</b>
<b>Expenditures/Expenses:</b>						
Instruction	3,626,258	-	3,626,258	3,833,374	3,833,374	207,116
Support services	1,950,455	194	1,950,649	2,562,933	2,562,933	612,284
Non-instructional programs	-	259,387	259,387	340,358	340,358	80,971
Other expenditures	813,387	-	813,387	1,145,800	1,145,800	332,413
<b>Total expenditures/expenses</b>	<b>6,390,100</b>	<b>259,581</b>	<b>6,649,681</b>	<b>7,882,465</b>	<b>7,882,465</b>	<b>1,232,784</b>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(177,459)	2,946	(174,513)	(1,334,097)	(1,334,097)	1,159,584
Other financing sources, net	-	-	-	3,500	3,500	(3,500)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(177,459)	2,946	(174,513)	(1,330,597)	(1,330,597)	1,156,084
Balances beginning of year	1,465,934	22,702	1,488,636	1,566,354	1,566,354	(77,718)
Balances end of year	\$ 1,288,475	25,648	1,314,123	235,757	235,757	1,078,366

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 502,000	502,000	0.00%	\$ 2,775,457	18.09%
2011	July 1, 2009	-	502,000	502,000	0.00%	2,870,309	17.49%
2012	July 1, 2009	-	502,000	502,000	0.00%	2,520,921	19.91%
2013	July 1, 2012	-	559,000	559,000	0.00%	2,826,495	19.78%
2014	July 2, 2012	-	392,000	392,000	0.00%	2,675,717	14.65%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 213,783	59,690	273,473
Receivables:			
Property tax:			
Delinquent	2,332	-	2,332
Succeeding year	150,000	-	150,000
Accounts	-	2,457	2,457
<b>TOTAL ASSETS</b>	<b>\$ 366,115</b>	<b>62,147</b>	<b>428,262</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 45	289	334
<b>TOTAL LIABILITES</b>	<b>45</b>	<b>289</b>	<b>334</b>
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	150,000	-	150,000
Fund balances:			
Restricted for:			
Management levy purposes	216,070	-	216,070
Student activities	-	72,311	72,311
Unassigned			
Student activity	-	(10,453)	(10,453)
Total fund balances	216,070	61,858	277,928
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 366,115</b>	<b>62,147</b>	<b>428,262</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 150,284	-	150,284	-	150,284
Other	3,744	209,357	213,101	2	213,103
Total revenues	154,028	209,357	363,385	2	363,387
Expenditures:					
Current:					
Instruction:					
Regular	18,950	-	18,950	-	18,950
Other	-	221,479	221,479	-	221,479
Support services:					
Operation and maintenance of plant	119,631	-	119,631	-	119,631
Transportation	13,224	-	13,224	-	13,224
Long-term debt:					
Principal	-	-	-	420,000	420,000
Interest and fiscal charges	-	-	-	5,979	5,979
Total expenditures	151,805	221,479	373,284	425,979	799,263
Excess(Deficiency) of revenues over(under) expenditures	2,223	(12,122)	(9,899)	(425,977)	(435,876)
Other financing sources(uses):					
Transfer in	-	-	-	331,276	331,276
Transfers out	-	-	-	(1,698)	(1,698)
Total other financing sources(uses)	-	-	-	329,578	329,578
Change in fund balances	2,223	(12,122)	(9,899)	(96,399)	(106,298)
Fund balances beginning of year	213,847	73,980	287,827	96,399	384,226
Fund balances end of year	\$ 216,070	61,858	277,928	-	277,928

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
<b>ASSETS</b>				
Cash and pooled investments	\$ 93,982	53,147	198,343	345,472
Receivables:				
Property tax:				
Delinquent	-	804	-	804
Succeeding year	-	55,615	-	55,615
Due from other governments	259,280	-	-	259,280
<b>TOTAL ASSETS</b>	<b>\$ 353,262</b>	<b>109,566</b>	<b>198,343</b>	<b>661,171</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 34,449	-	-	34,449
Total liabilities	34,449	-	-	34,449
Deferred inflows of resources:				
Unavailable revenues				
Succeeding year property tax	-	55,615	-	55,615
Total deferred inflows of resources	-	55,615	-	55,615
Fund balances:				
Restricted for:				
School infrastructure	318,813	-	-	318,813
Physical plant and equipment	-	53,951	-	53,951
Other Capital Project	-	-	198,343	198,343
Total fund balances	318,813	53,951	198,343	571,107
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 353,262</b>	<b>109,566</b>	<b>198,343</b>	<b>661,171</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	51,813	-	51,813
Other	11	3	5	19
State sources	436,618	-	6,753	443,371
Federal sources	-	-	50,643	50,643
Total revenues	<u>436,629</u>	<u>51,816</u>	<u>57,401</u>	<u>545,846</u>
Expenditures:				
Current:				
Support services:				
Administration	33	-	1,359	1,392
Other expenditures:				
Capital outlay	108,026	21,969	57,699	187,694
Total expenditures	<u>108,059</u>	<u>21,969</u>	<u>59,058</u>	<u>189,086</u>
Excess(Deficiency) of revenues over(under) expenditures	328,570	29,847	(1,657)	356,760
Other financing uses:				
Transfers in	-	1,698	200,000	201,698
Transfer out	(531,276)	-	-	(531,276)
Total other financing sources(uses)	<u>(531,276)</u>	<u>1,698</u>	<u>200,000</u>	<u>(329,578)</u>
Change in fund balances	(202,706)	31,545	198,343	27,182
Fund balances beginning of year	<u>521,519</u>	<u>22,406</u>	<u>-</u>	<u>543,925</u>
Fund balances end of year	<u>\$ 318,813</u>	<u>53,951</u>	<u>198,343</u>	<u>571,107</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 DEBT SERVICE ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Debt Service		
	Debt Service	Debt Sinking- Preschool Bonds	Total
Revenues:			
Local sources:			
Other	\$ -	2	2
Expenditures:			
Long-term debt:			
Principal	-	420,000	420,000
Interest and fiscal charges	-	5,979	5,979
Total expenditures	-	425,979	425,979
Deficiency of revenues under expenditures	-	(425,977)	(425,977)
Other financing sources:			
Transfer in	-	331,276	331,276
Transfers out	(1,698)	-	(1,698)
Total other financing sources(uses)	(1,698)	331,276	329,578
Change in fund balances	(1,698)	(94,701)	(96,399)
Fund balaces beginning year	1,698	94,701	96,399
Fund balances end of year	\$ -	-	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT .

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<b>HS Athletics:</b>					
Football	\$ 11,619	13,384	14,850	-	10,153
Volleyball	2,566	5,807	7,238	-	1,135
Basketball	9,335	16,103	14,420	-	11,018
Wrestling	1,226	5,262	5,186	(480)	822
Track	(3,366)	6,905	6,025	-	(2,486)
Softball	(895)	4,709	7,117	-	(3,303)
Baseball	(3,620)	5,727	5,727	-	(3,596)
Golf	-	1,052	1,052	-	-
Cross Country	-	1,267	1,267	-	-
	<u>16,865</u>	<u>60,216</u>	<u>62,882</u>	<u>(480)</u>	<u>13,743</u>
<b>HS Clubs &amp; Organizations:</b>					
FFA	5,286	16,559	17,641	-	3,643
FCCLA	1,661	1,853	1,944	-	1,570
Iron Man Club	73	-	-	-	73
NHS	43	378	302	-	119
Student Council	4,550	3,176	3,284	(21)	4,421
SADOBS	1,554	3,216	3,300	-	1,470
Instrumental Club	327	381	210	-	498
Vocal	5	879	736	-	148
Swish and Spike Club	2,931	15,564	16,435	-	2,060
BPA	223	18,517	18,921	-	(181)
Yearbook #2	3,304	5,861	-	-	9,165
Yearbook	4,600	1,125	4,867	-	858
Bulldog Club	4,423	3,950	6,635	(160)	1,578
Cheerleaders	1,003	14,098	16,315	480	(734)
Art	419	916	595	-	740
Musical	1,243	-	-	-	1,243
Music Club	4	-	-	-	4
Class of 2012	(315)	-	-	315	-
Class of 2013	440	-	-	(440)	-
Class of 2014	6,057	3,742	9,837	38	-
Class of 2015	1,140	13,318	13,861	525	1,122
Class of 2016	1,326	-	154	-	1,172
Class of 2017	996	-	116	-	880
Class of 2018	600	500	175	-	925
Class of 2019	207	500	-	-	707
Class of 2020	-	500	-	-	500
Swish Club	109	540	640	-	9
Senior Cheers	137	637	89	(155)	530
	<u>42,346</u>	<u>106,210</u>	<u>116,057</u>	<u>582</u>	<u>32,520</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<b>MS Athletics:</b>					
Volleyball	1,627	1,030	1,569	-	1,088
Basketball	3,357	4,429	4,429	-	3,656
Wrestling	1,100	-	-	-	1,100
Track	1,284	2,691	2,241	-	1,734
Softball	1,150	786	300	-	1,636
Baseball	1,099	969	969	-	1,337
Football	1,355	816	668	-	1,503
	10,972	10,721	10,176	-	12,054
<b>MS Clubs &amp; Organizations:</b>					
Student Council	(74)	1,341	897	75	445
Magazine Sales	-	6,978	6,978	-	-
Yearbook	(205)	52	-	-	(153)
	(279)	8,371	7,875	75	292
<b>Elementary Clubs &amp; Organizations:</b>					
PTK Club	112	-	-	-	112
K-8 Book Fair	-	4,832	4,832	-	-
Student Council	2,891	2,395	3,373	(96)	1,817
Yearbook	271	1,468	1,183	-	556
	3,274	8,695	9,388	(96)	2,485
<b>District-wide Accounts:</b>					
Great Race	560	-	469	-	91
Activity Tickets	-	4,550	4,550	-	-
Interest	-	640	640	-	-
Field Trips	-	1,374	1,568	194	-
After Prom	242	8,580	7,874	(275)	673
	802	15,144	15,101	(81)	764
Total	\$ 73,980	209,357	221,479	-	61,858

BEDFORD 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
<b>ASSETS</b>				
Due from other governments	\$ 43,636	3,643	43,636	3,643
<b>LIABILITIES</b>				
Due to other governments	\$ 43,636	3,643	43,636	3,643

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,188,893	2,392,375	2,500,370	2,544,792	2,271,969	2,189,075	1,818,678	1,944,692	1,924,607	1,916,676
Tuition	71,834	63,042	78,794	335,687	221,228	216,740	363,870	346,398	288,236	286,952
Other	454,477	515,359	517,063	388,455	440,045	352,602	385,081	323,980	265,122	223,187
State sources	3,224,191	3,017,577	3,097,315	2,766,156	2,614,341	3,044,096	2,785,092	2,449,830	2,434,906	2,448,145
Federal sources	273,246	252,967	218,936	490,929	616,230	251,236	208,021	213,966	215,985	276,921
Total	<u>\$ 6,212,641</u>	<u>6,241,320</u>	<u>6,412,478</u>	<u>6,526,019</u>	<u>6,163,813</u>	<u>6,053,749</u>	<u>5,560,742</u>	<u>5,278,866</u>	<u>5,128,856</u>	<u>5,151,881</u>
Expenditures:										
Instruction:										
Regular	\$ 1,950,076	1,861,450	1,977,408	1,742,373	1,820,818	1,814,620	1,815,059	1,714,689	1,742,618	1,685,586
Special	690,445	820,020	781,125	801,094	850,496	835,506	709,680	726,034	668,187	631,157
Other	985,737	1,010,276	931,489	1,036,121	918,619	821,648	780,242	714,355	692,015	699,544
Support services:										
Student	135,388	134,647	140,882	136,583	163,925	142,692	126,673	118,310	125,990	119,110
Instructional staff	310,248	291,642	532,860	256,017	587,662	292,182	228,841	163,211	154,620	145,669
Administration	660,007	650,981	612,016	586,105	528,081	646,844	609,434	576,913	541,728	470,936
Operation and maintenance of plant	575,869	584,514	581,228	496,039	593,996	492,826	461,171	437,604	419,410	473,976
Transportation	268,943	287,599	270,994	250,859	260,347	225,908	210,096	217,959	197,344	205,110
Capital outlay	187,694	272,271	200,986	385,248	481,146	350,191	243,782	155,833	189,443	86,976
Long-term debt:										
Principal	420,000	65,000	365,575	355,574	295,574	260,000	195,000	190,000	185,000	180,000
Interest and other charges	5,979	17,449	35,363	32,993	24,598	27,305	32,285	37,320	41,365	45,377
Other expenditures:										
AEA flow-through	199,714	194,839	195,884	221,707	219,708	198,108	166,539	163,878	159,486	159,710
Total	<u>\$ 6,390,100</u>	<u>6,190,688</u>	<u>6,625,810</u>	<u>6,300,713</u>	<u>6,744,970</u>	<u>6,107,830</u>	<u>5,578,802</u>	<u>5,216,106</u>	<u>5,117,206</u>	<u>4,903,151</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficient is a deficient, or a combination of deficiencies, in internal control which is less severe than a material weakness. Yet important enough to merit attention by those charged with governance. We considered the deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-B-14 to be a significant deficiencies.

## **Compliance and Other Matters**

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

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

## **Bedford Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2015  
Newton, Iowa

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTRAL DEFICIENCY:**

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

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

Conclusion – Response accepted

I-B-14 Supporting Documentation for Payments with Credit Cards –During the audit, we noted instances of meals being purchases made with a District credit card that lacked supporting documentation beyond the credit card receipt.

Recommendation - The District’s Policy 401.10 states that “Employees and officers using school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide proper receipt shall make the employee responsible for the expenses incurred. These expenses shall be reimbursed to the school district no later than ten working days following the use of the school district’s credit card.” The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response – We will monitor more closely for detailed receipts. Reimbursements in the future will not be allowed without detailed receipts.

Conclusion - Response accepted

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

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted in any of the functional areas.

II-B-14 Questionable Disbursements – We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

Name, Title and Business Connection	Transaction Description	Amount
Lorna Bucher, Teacher Owns Bedford County Store/Godfathers Pizza	Supplies/Pizza	\$596
Cheryl Johnson, Secretary	Flag Repair/Sewing Uniform cleaning	\$34
Kay Goodridge, Para-educator Husband owns Ray's Trophies	Trophies/Awards	\$2,166
Charlie Ambrose, bus driver Owns Charlie's Garden	Supplies	\$333

In accordance with the Attorney’s General’s opinion dated July 2, 1990, the above transactions with Cheryl Johnson, Lorna Bucher, Charlie Ambrose do not appear to represent a conflict of interest.

In accordance with the Attorney’s General’s opinion dated November 9, 1976 of the Code of Iowa the transaction with Kay Goodridge does not appear to represent a conflict of interest.

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

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting – We noted a variance in the supplementary weighting certified to the Department of Education. The amount certified has an adjustment overstated of 0.37.

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

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

Conclusion – Response accepted

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2014 audit.

Beginning Balance		\$ 521,519
Revenues:		
Sales tax revenues	\$ 436,618	
Other local revenues	11	436,629
		<u>958,148</u>
Expenditures/transfers out:		
Equipment	\$ 60,631	
Other	47,428	
Transfers to other funds:		
Debt service fund	331,276	
Other Transfers	200,000	639,335
		<u>318,813</u>
Ending Balance		\$ <u>318,813</u>

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

II-M-14 Deficit Accounts - At June 30, 2014, the District had six accounts in the Student Activity Fund that had deficit unassigned balances totaling \$10,453.

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

Response – We will monitor purchases in the Activity Fund.

Conclusion – Response accepted

II-N-14 Authorized Check Signatures - We noted during our audit multiple Capital Projects disbursements checks that only contained the Board Secretaries signature. Chapter 291.1 of the Code of Iowa requires that Board President and the Board Secretary to sign all checks issued. Also, pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board secretary may not designate an individual to sign in her absence.

Recommendation - The District should review their procedures to ensure that the proper signature are on all checks before sending them out, in order to be in compliance with Chapters 291.1 of the Code of Iowa

Response – We had an issue in our software program that dropped the Board President's signature. We have resolved this issue.

Conclusion – Response accepted.