

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
BONDURANT, IOWA

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

JUNE 30, 2014

## TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-15
<b>BASIC FINANCIAL STATEMENTS:</b>	
Exhibit	
Government-Wide Financial Statements:	
A    Statement of Net Position	18-19
B    Statement of Activities	20-23
Governmental Fund Financial Statements:	
C    Balance Sheet	24-25
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	26
E    Statement of Revenues, Expenditures and Changes in Fund Balances	27-28
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements:	
G    Statement of Fund Net Position	30
H    Statement of Revenues, Expenses and Changes in Fund Net Position	31
I    Statement of Cash Flows	32-33
Notes to Financial Statements	34-49
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	52
Notes to Required Supplementary Information – Budgetary Reporting	53
Schedule of Funding Progress for the Retiree Health Plan	54
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	56
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	57
Capital Projects Accounts:	
3    Combining Balance Sheet	58
4    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	59
5    Schedule of Changes in Special Revenue Fund, Student Activity Accounts	60
6    Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	62-63
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	64-65
SCHEDULE OF FINDINGS	66-70

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Kristin Swift	President	2013
Christopher P. Freese	Vice President	2015
Michael McNichols	Board Member	2013
Tom Looft	Board Member	2015
Susan Ugulini	Board Member	2015
(After September 2013 election)		
Christopher P. Freese	President	2015
Tom Looft	Vice President	2015
Susan Ugulini	Board Member	2015
Steve Davis	Board Member	2017
Kristin Swift	Board Member	2017
<u>School Officials</u>		
Peggy Vint	Superintendent	2014
Jared Abel	Business Director/Board Secretary/ Treasurer	2014
Ahlers & Cooney P.C.	Attorney	Indefinite

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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OSKALOOSA, IA 52577  
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KNOXVILLE, IA 50138  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Bondurant-Farrar 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 Bondurant-Farrar Community School District, Bondurant Iowa, 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 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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 Bondurant-Farrar 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*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 6 through 15 and 52 through 54 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 Bondurant-Farrar 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 four years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2009, (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 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 financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2015 on our consideration of Bondurant-Farrar 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. 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 Bondurant-Farrar Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
January 26, 2015

*Hunt + Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Bondurant-Farrar 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.

### Financial Highlights

#### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,953,525 in fiscal 2013 to \$14,064,908 in fiscal 2014. General Fund expenditures increased from \$12,887,535 in fiscal 2013 to \$15,360,570 in fiscal 2014. This resulted in a decrease in the District's fund balance from \$3,178,042 in fiscal 2013 to \$1,883,629 in fiscal 2014. The District's solvency ratio decreased from 22.43% in fiscal 2013 to 11.62% in 2014.
- The increase in General Fund revenues was attributable in part to increases in supplemental state aid as well as the district's student enrollment. The increase in expenditures was due to the increase in negotiated salaries and benefits, the increase in number of students served, and the addition of new certified and classified staff. One time expenditures were also made in order to decrease the district's unspent balance and solvency ratio to a fiscally responsible amount.

### Overview of the Financial Statements

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 Bondurant-Farrar 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 Bondurant-Farrar 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 Bondurant-Farrar Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

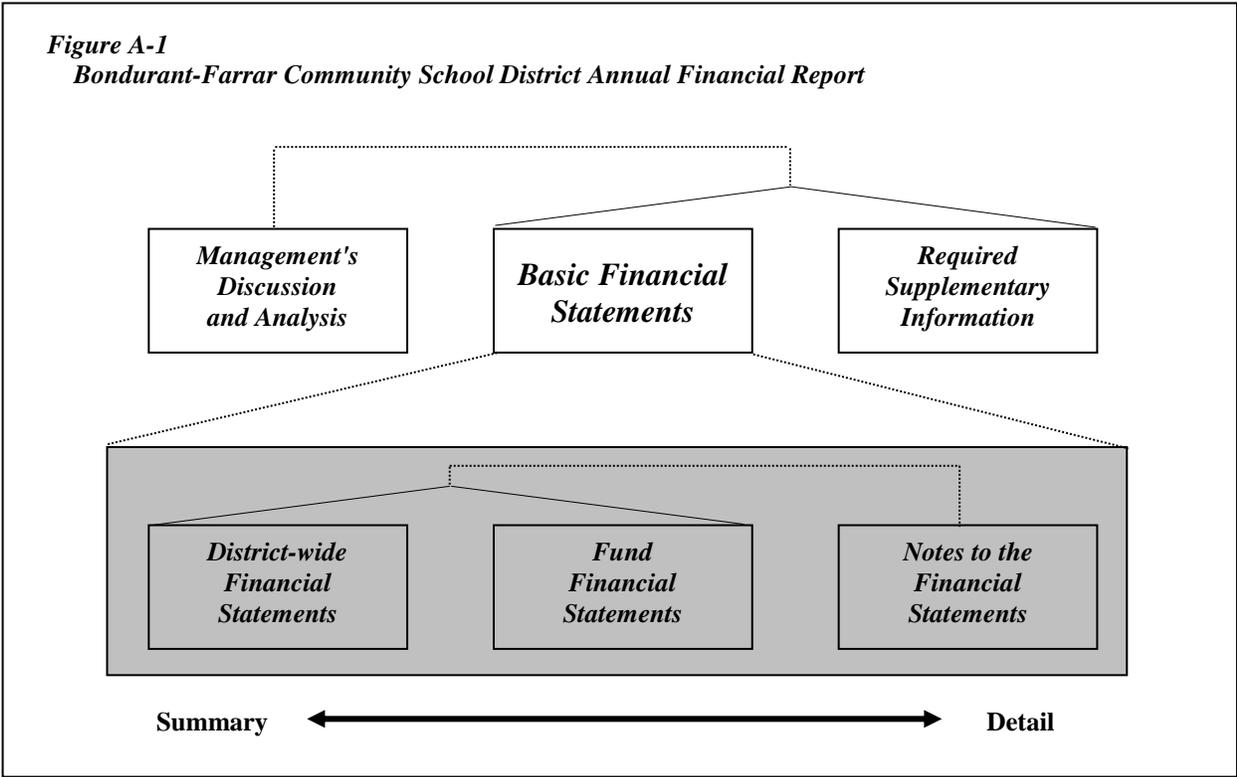


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net 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 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

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the reporting year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

In the District-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 two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund, and one Internal Service Fund, the Flex Spending Fund.

## Financial Analysis of the District as a Whole

**Net Position** - Figure A-3 below provides a summary of the district's net position for the year ended June 30, 2014 compared to fiscal year 2013.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
	Governmental Activities		Business-Type Activities		Total District		Total Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Current and Other Assets	15,700,463	24,447,786	435,495	487,213	16,135,958	24,934,999	-35.29%
Capital Assets	37,402,974	26,485,636	295,321	262,181	37,698,295	26,747,817	40.94%
<b>Total Assets:</b>	<b>53,103,437</b>	<b>50,933,422</b>	<b>730,816</b>	<b>749,394</b>	<b>53,834,253</b>	<b>51,682,816</b>	<b>4.16%</b>
Long-Term Liabilities	19,856,529	20,440,400	0	0	19,856,529	20,440,400	-2.86%
Other Liabilities	2,654,526	2,232,119	43,008	36,376	2,697,534	2,268,495	18.91%
<b>Total Liabilities:</b>	<b>22,511,055</b>	<b>22,672,519</b>	<b>43,008</b>	<b>36,376</b>	<b>22,554,063</b>	<b>22,708,895</b>	<b>-0.68%</b>
Deferred Inflows of Resources	5,072,366	4,927,851	0	0	5,072,366	4,927,851	2.93%
<b>Net Position:</b>							
Net Investment in Capital Assets	18,142,974	16,565,636	295,321	262,181	18,438,295	16,827,817	9.57%
Restricted	6,060,470	4,211,840	0	0	6,060,470	4,211,840	43.89%
Unrestricted	1,316,572	2,555,576	392,487	450,837	1,709,059	3,006,413	-43.15%
<b>Total Net Position:</b>	<b>25,520,016</b>	<b>23,333,052</b>	<b>687,808</b>	<b>713,018</b>	<b>26,207,824</b>	<b>24,046,070</b>	<b>8.99%</b>

The District's combined net position at June 30, 2014 compared to fiscal year 2013 is listed in Figure A-3. The District's combined net position increased 8.99% to \$26,207,824. The largest portion of the district's net position is its net investment in capital assets. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restriction, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

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

<b>Figure A-4</b>						
<b>Changes in Net Position</b>						
	Governmental Activities		Business-Type Activities		Total District	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for Service	1,472,986	1,479,289	525,207	520,865	1,998,193	2,000,154
Operating Grants, Contributions & Restricted Interest	1,737,476	1,637,924	307,578	267,072	2,045,054	1,904,996
Capital Grants, Contributions & Restricted Interest	1,463,100	1,207,492			1,463,100	1,207,492
<b>General Revenues:</b>						
Property Tax	4,940,362	4,889,300	0	0	4,940,362	4,889,300
Local Option Sales & Service Tax	1,273,124	1,205,561	0	0	1,273,124	1,205,561
Income Surtax	445,425	206,210	0	0	445,425	206,210
Unrestricted State Grants	7,691,400	6,882,710	0	0	7,691,400	6,882,710
Unrestricted Investment Earnings	15,487	3,092	99	355	15,586	3,447
Other	207,729	400,645	0	0	207,729	400,645
<b>Total Revenues:</b>	<b>19,247,089</b>	<b>17,912,223</b>	<b>832,884</b>	<b>788,292</b>	<b>20,079,973</b>	<b>18,700,515</b>
<b>Program Expenses:</b>						
Governmental Activities:						
Instruction	9,612,323	8,676,555	3,367	3,168	9,615,690	8,679,723
Support Services	5,599,808	4,267,864	10,525	11,673	5,610,333	4,279,537
Non-Instructional Program	0	0	844,202	715,394	844,202	715,394
Other Expenses	1,847,994	1,543,943		0	1,847,994	1,543,943
<b>Total Expenses:</b>	<b>17,060,125</b>	<b>14,488,362</b>	<b>858,094</b>	<b>730,235</b>	<b>17,918,219</b>	<b>15,218,597</b>
<b>Change in Net Position:</b>	<b>2,186,964</b>	<b>3,423,861</b>	<b>(25,210)</b>	<b>58,057</b>	<b>2,161,754</b>	<b>3,481,918</b>

### Governmental Activities

Revenues for governmental activities were \$19,247,089 and expenses were \$17,060,125.

Property tax and unrestricted state grants account for 66% of total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
	Total Cost of Services	Net Cost of Services
Instruction	9,612,323	7,086,860
Support Services	5,599,808	5,487,328
Non-Instructional Programs	0	0
Other Expenses	1,847,994	(187,625)
<b>Totals:</b>	<b>17,060,125</b>	<b>12,386,563</b>

- The cost financed by users of the District’s programs was \$1,472,986.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$1,737,476 and capital grants and contributions totaling \$1,463,100.
- The net cost of governmental activities was financed in part with \$4,940,362 in property tax, \$1,273,124 in local option sales and services tax, \$445,425 in Income Surtax, \$7,691,400 in unrestricted state grants, \$15,487 in interest income, and \$207,729 in miscellaneous sources.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$832,884 and expenses were \$858,094. The District’s business-type activities include the School Nutrition Fund and Construction Class. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **Financial Analysis of the District's Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,922,894 compared to \$17,136,578 in Fiscal Year 2013. The General Fund balance for Fiscal Year 2014 was \$1,883,629 compared to \$3,178,042 for Fiscal Year 2013.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. The General Fund balance decreased as planned in order to decrease the district's unspent balance and solvency ratio to align with fiscally responsible benchmarks.
- The district's debt service fund balance increased \$562,300 due to reserve funds accumulated for the bond refunding escrow account and the revenue bonds.
- The district's capital projects fund decreased \$8,624,380 due to the construction of an elementary school from the past issuance of revenue bonds.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net position decreased from \$575,914 to \$554,071, representing a decrease of 4%. This decrease is a result of purchasing equipment for a new building as well as serving a rapidly growing population.
- The Construction Class Fund net position decreased from \$137,107 to \$133,737.

## **Budgetary Highlights**

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 its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of FY2014 the District amended its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison as presented in the required supplemental information section of this report.

### **Legal Budgetary Highlights**

The District's total actual receipts were \$373,606 more than the total budgeted receipts, a variance of 2% percent. The variance was due to an increase in local and federal sources of revenue.

Total expenditures were \$2,309,109 less than budgeted due excess budgeting when the amendment was made. However, the functional line item budget for support services and non-instructional programs were exceeded at year end. The budget was amended one time during the fiscal year for unanticipated expenditures due to growth.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2014, the District had invested \$37,698,295, net of accumulated depreciation of \$10,353,616, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year totaled \$874,173.

The original cost of the District's capital assets was \$48,051,911. Governmental activities account for \$47,380,917, leaving \$670,994 in the business activities.

<b>Figure A-6</b>			
<b>Capital Assets, Net of Depreciation</b>			
	Governmental Activities	Business Type Activities	Total District
Land	1,161,901		1,161,901
Construction in Progress	12,689,852		12,689,852
Buildings	22,117,895		22,117,895
Improvements Other Than Buildings	74,240		74,240
Furniture and Equipment	1,359,086	295,321	1,654,407
Totals:	37,402,974	295,321	37,698,295

### Long-Term Liabilities

At June 30, 2014, the District had \$19,856,529 in general obligation and other long-term liabilities outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

<b>Figure A-7</b>	
<b>Outstanding Long-Term Obligations</b>	
	Total District (2014)
General Obligation Bonds	8,155,000
Local Option Sales & Service Tax Revenue Bonds	10,000,000
Capital Loan Notes	1,105,000
Early Retirement	146,160
Net OPEB Liability	450,369
Total:	19,856,529

## **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:

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The rapid growth of the district provides financial challenges. As the need for facilities increases, the taxable valuation of the district increases at a far less rate causing the debt limit to be approached and surpassed if growth continues at current rate. The district will continue to explore options to increase efficiency while having as much support for students, faculty and staff as allowed by maintaining fiscal responsibility.
- Due to the District's location in the metro area and continued growth, certified enrollment has increased 6.18%, 3.83%, and 5.46% over the last three years with the student served population increasing as well. Current projections predict continued growth in the District. State funding will continue to be an important subject of interest in future years due to the uncertainty of the state aid formula and special programs.
- Many factors continue to be a concern for the District including the fluctuation in prices of gas, diesel, and natural gas.
- With 73% of the General Fund expenditures consisting of salaries and benefits, the increasing cost of salaries, benefits, health costs, and IPERS continue to be a major concern.
- Along with the growing population comes the need to hire staff. The district will continue to evaluate class size and make fiscally responsible decisions that are best for the children of the district.

### **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 Jared Abel, Business Manager, Bondurant-Farrar Community School District, 300 Garfield Street SW, Bondurant, IA 50035.

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## Basic Financial Statements

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 9,698,952	\$ 286,135	\$ 9,985,087
Receivables:			
Property tax:			
Current year	29,719	-	29,719
Succeeding year	5,072,366	-	5,072,366
Income surtax	198,748	-	198,748
Internal balances	48,620	(48,620)	-
Accounts	29,034	968	30,002
Due from other governments	623,024	-	623,024
Inventories	-	197,012	197,012
Capital assets, net of accumulated depreciation (note 5)	37,402,974	295,321	37,698,295
<b>Total assets</b>	<b>53,103,437</b>	<b>730,816</b>	<b>53,834,253</b>
<b>Liabilities</b>			
Accounts payable	1,207,833	22,538	1,230,371
Salaries and benefits payable	1,266,861	8,716	1,275,577
Due to other governments	11,044	-	11,044
Advances from grantors and students	20,717	-	20,717
Unearned revenue	-	11,754	11,754
Accrued interest payable	148,071	-	148,071
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	34,520	-	34,520
Bonds payable	420,000	-	420,000
Notes payable	265,000	-	265,000
Portion due after one year:			
Early retirement	111,640	-	111,640
Bonds payable	17,735,000	-	17,735,000
Notes payable	840,000	-	840,000
Net OPEB liability	450,369	-	450,369
<b>Total liabilities</b>	<b>22,511,055</b>	<b>43,008</b>	<b>22,554,063</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	5,072,366	-	5,072,366

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 18,142,974	\$ 295,321	\$ 18,438,295
Restricted for:			
Categorical funding	315,436	-	315,436
Debt service	1,677,555	-	1,677,555
Capital projects	3,334,953	-	3,334,953
Physical plant and equipment levy purposes	539,681	-	539,681
Management levy purposes	133,782	-	133,782
Student activities	59,063	-	59,063
Unrestricted	<u>1,316,572</u>	<u>392,487</u>	<u>1,709,059</u>
 Total net position	 <u>\$ 25,520,016</u>	 <u>\$ 687,808</u>	 <u>\$ 26,207,824</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	6,557,140	657,771	955,343	-
Special instruction	1,700,399	460,348	176,751	-
Other instruction	1,354,784	258,684	16,566	-
	<u>\$ 9,612,323</u>	<u>\$ 1,376,803</u>	<u>\$ 1,148,660</u>	<u>\$ -</u>
Support services:				
Student	474,406	-	-	-
Instructional staff	770,903	-	10,441	-
Administration	1,743,559	25,528	-	-
Operation and maintenance of plant	1,921,167	38,969	-	-
Transportation	689,773	31,686	5,856	-
	<u>5,599,808</u>	<u>96,183</u>	<u>16,297</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	26,168	-	-	1,463,100
Long-term debt interest and fiscal charges	655,542	-	-	-
AEA flowthrough	572,519	-	572,519	-
Depreciation (unallocated) *	593,765	-	-	-
	<u>1,847,994</u>	<u>-</u>	<u>572,519</u>	<u>1,463,100</u>
Total governmental activities	<u>17,060,125</u>	<u>1,472,986</u>	<u>1,737,476</u>	<u>1,463,100</u>
<b>Business-Type Activities:</b>				
Instruction:				
Construction class operations	<u>3,367</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(4,944,026)	-	(4,944,026)
(1,063,300)	-	(1,063,300)
(1,079,534)	-	(1,079,534)
\$ (7,086,860)	-	\$ (7,086,860)
(474,406)	-	(474,406)
(760,462)	-	(760,462)
(1,718,031)	-	(1,718,031)
(1,882,198)	-	(1,882,198)
(652,231)	-	(652,231)
(5,487,328)	-	(5,487,328)
1,436,932	-	1,436,932
(655,542)	-	(655,542)
-	-	-
(593,765)	-	(593,765)
187,625	-	187,625
(12,386,563)	-	(12,386,563)
-	(3,367)	(3,367)

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities (continued):				
Support services:				
Food service operations	\$ 10,525	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	844,202	525,207	307,578	-
Total business-type activities	858,094	525,207	307,578	-
Total	\$ 17,918,219	\$ 1,998,193	\$ 2,045,054	\$ 1,463,100

General revenues:

- Property tax levied for:
  - General purposes
  - Debt service
  - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Position

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<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ <u>          -</u>	\$ <u>(10,525)</u>	\$ <u>(10,525)</u>
<u>          -</u>	<u>(11,417)</u>	<u>(11,417)</u>
<u>          -</u>	<u>(25,309)</u>	<u>(25,309)</u>
<u>(12,386,563)</u>	<u>(25,309)</u>	<u>(12,411,872)</u>
\$ 3,235,588	\$ -	\$ 3,235,588
1,205,868	-	1,205,868
498,906	-	498,906
445,425	-	445,425
1,273,124	-	1,273,124
7,691,400	-	7,691,400
15,487	99	15,586
207,729	-	207,729
<u>14,573,527</u>	<u>99</u>	<u>14,573,626</u>
2,186,964	(25,210)	2,161,754
<u>23,333,052</u>	<u>713,018</u>	<u>24,046,070</u>
\$ <u>25,520,016</u>	\$ <u>687,808</u>	\$ <u>26,207,824</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,998,002	\$ 1,818,780	\$ 4,539,128	\$ 343,042	\$ 9,698,952
Receivables:					
Property tax:					
Current year	17,409	6,846	2,832	2,632	29,719
Succeeding year	2,999,159	1,146,700	506,507	420,000	5,072,366
Income surtax	198,748	-	-	-	198,748
Interfund (note 3)	48,620	-	-	-	48,620
Accounts	18,481	-	-	10,553	29,034
Due from other governments	419,815	-	203,209	-	623,024
	<hr/>				
Total assets	<u>\$ 6,700,234</u>	<u>\$ 2,972,326</u>	<u>\$ 5,251,676</u>	<u>\$ 776,227</u>	<u>\$ 15,700,463</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 322,133	\$ -	\$ 870,535	\$ 15,165	\$ 1,207,833
Due to other governments	11,044	-	-	-	11,044
Salaries and benefits payable	1,266,861	-	-	-	1,266,861
Advances from grantors	10,560	-	-	-	10,560
Advances from others	8,100	-	-	2,057	10,157
Total liabilities	<u>1,618,698</u>	<u>-</u>	<u>870,535</u>	<u>17,222</u>	<u>2,506,455</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,999,159	1,146,700	506,507	420,000	5,072,366
Other	198,748	-	-	-	198,748
Total deferred inflows of resources	<u>3,197,907</u>	<u>1,146,700</u>	<u>506,507</u>	<u>420,000</u>	<u>5,271,114</u>
Fund balances:					
Restricted for:					
Categorical funding (note 11)	315,436	-	-	-	315,436
Revenue bonds reserve fund	-	817,460	-	-	817,460
Bond refunding escrow (note 6)	-	820,000	-	-	820,000
Debt service	-	188,166	-	-	188,166
Other capital projects	-	-	114,062	-	114,062
School infrastructure	-	-	3,220,891	-	3,220,891
Physical plant and equipment	-	-	539,681	-	539,681
Management levy purposes	-	-	-	279,942	279,942
Student activities	-	-	-	59,063	59,063
Unassigned	1,568,193	-	-	-	1,568,193
Total fund balances	<u>1,883,629</u>	<u>1,825,626</u>	<u>3,874,634</u>	<u>339,005</u>	<u>7,922,894</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,700,234</u>	<u>\$ 2,972,326</u>	<u>\$ 5,251,676</u>	<u>\$ 776,227</u>	<u>\$ 15,700,463</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2014

Total fund balances of governmental funds	\$ 7,922,894
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	37,402,974
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	198,748
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(148,071)
Long-term liabilities, including early retirement, bonds and notes payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(19,856,529)</u>
Net position of governmental activities	<u><u>\$ 25,520,016</u></u>
See notes to financial statements.	

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,245,875	\$ 1,205,530	\$ 498,766	\$ 421,004	\$ 5,371,175
Tuition	803,354	-	-	-	803,354
Other	354,941	3,303	11,035	291,401	660,680
State sources	9,227,315	337	1,273,264	131	10,501,047
Federal sources	433,423	-	-	-	433,423
Total revenues	<u>14,064,908</u>	<u>1,209,170</u>	<u>1,783,065</u>	<u>712,536</u>	<u>17,769,679</u>
Expenditures:					
Current:					
Instruction	9,323,097	-	-	297,424	9,620,521
Support services:					
Student	472,634	-	-	-	472,634
Instructional staff	860,996	-	-	-	860,996
Administration	1,533,810	-	-	57,410	1,591,220
Operation and maintenance of plant	1,731,958	-	17,700	202,486	1,952,144
Transportation	865,556	-	-	12,407	877,963
	<u>5,464,954</u>	<u>-</u>	<u>17,700</u>	<u>272,303</u>	<u>5,754,957</u>
Other expenditures:					
Facilities acquisition	-	-	11,297,795	-	11,297,795
Long term debt:					
Principal	-	660,000	-	-	660,000
Interest and fiscal charges	-	539,920	2,000	-	541,920
AEA flowthrough	572,519	-	-	-	572,519
	<u>572,519</u>	<u>1,199,920</u>	<u>11,299,795</u>	<u>-</u>	<u>13,072,234</u>
Total expenditures	<u>15,360,570</u>	<u>1,199,920</u>	<u>11,317,495</u>	<u>569,727</u>	<u>28,447,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,295,662)</u>	<u>9,250</u>	<u>(9,534,430)</u>	<u>142,809</u>	<u>(10,678,033)</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 1,249	\$ -	\$ -	\$ -	\$ 1,249
Interfund transfers in (note 4)	-	553,050	-	-	553,050
Interfund transfers out (note 4)	-	-	(553,050)	-	(553,050)
Total other financing sources (uses)	<u>1,249</u>	<u>553,050</u>	<u>(553,050)</u>	<u>-</u>	<u>1,249</u>
Change in fund balances prior to extraordinary item	(1,294,413)	562,300	(10,087,480)	142,809	(10,676,784)
Extraordinary item:					
Donation from private source	-	-	1,463,100	-	1,463,100
Net change in fund balances	(1,294,413)	562,300	(8,624,380)	142,809	(9,213,684)
Fund balances beginning of year	<u>3,178,042</u>	<u>1,263,326</u>	<u>12,499,014</u>	<u>196,196</u>	<u>17,136,578</u>
Fund balances end of year	<u>\$ 1,883,629</u>	<u>\$ 1,825,626</u>	<u>\$ 3,874,634</u>	<u>\$ 339,005</u>	<u>\$ 7,922,894</u>

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (9,213,684)

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. The amounts of capital outlays and depreciation expense in the current year are as follows:

	Capital outlays	\$ 11,745,503	
	Depreciation expense	<u>(828,165)</u>	10,917,338

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 13,061

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 660,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (113,622)

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

	Early retirement	(23,530)	
	Net OPEB liability	<u>(52,599)</u>	<u>(76,129)</u>

Change in net position of governmental activities \$ 2,186,964

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2014

	Enterprise Funds		Total
	School Nutrition	Nonmajor Enterprise	
Assets			
Cash and cash equivalents	\$ 286,135	\$ -	\$ 286,135
Receivables:			
Accounts	968	-	968
Inventories	12,595	184,417	197,012
Capital assets, net of accumulated depreciation (note 5)	295,321	-	295,321
Total current assets	<u>595,019</u>	<u>184,417</u>	<u>779,436</u>
Liabilities			
Interfund payable (note 3)	-	48,620	48,620
Accounts payable	20,478	2,060	22,538
Salaries and benefits payable	8,716	-	8,716
Unearned revenue	11,754	-	11,754
Total current liabilities	<u>40,948</u>	<u>50,680</u>	<u>91,628</u>
Fund Net Position			
Net investment in capital assets	295,321	-	295,321
Unrestricted	<u>258,750</u>	<u>133,737</u>	<u>392,487</u>
Total fund net position	<u>\$ 554,071</u>	<u>\$ 133,737</u>	<u>\$ 687,808</u>

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Enterprise Funds		Total	Internal Service Fund
	School Nutrition	Nonmajor Enterprise		
Operating revenues:				
Local sources:				
Charges for services	\$ 525,207	\$ -	\$ 525,207	\$ 48,252
Operating expenses:				
Instruction:				
Other instruction:				
Purchased services	-	3,367	3,367	-
Support Services:				
Purchased services	10,525	-	10,525	48,252
Non-instructional programs:				
Food service operations:				
Salaries	262,479	-	262,479	-
Benefits	69,567	-	69,567	-
Purchased services	11,482	-	11,482	-
Supplies	454,057	-	454,057	-
Depreciation	46,008	-	46,008	-
Other	609	-	609	-
	844,202	-	844,202	-
Total operating expenses	854,727	3,367	858,094	48,252
Operating loss	(329,520)	(3,367)	(332,887)	-
Non-operating revenues:				
Interest on investments	99	-	99	-
State sources	6,754	-	6,754	-
Federal sources	300,824	-	300,824	-
Total non-operating revenues	307,677	-	307,677	-
Change in fund net position	(21,843)	(3,367)	(25,210)	-
Fund net position beginning of year	575,914	137,104	713,018	-
Fund net position end of year	\$ 554,071	\$ 133,737	\$ 687,808	\$ -

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Enterprise Funds		Total	Internal Service Fund
	School Nutrition	Nonmajor Enterprise		
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 512,084	\$ -	\$ 512,084	\$ -
Cash received from miscellaneous operating activities	8,139	-	8,139	48,335
Cash payments to employees for services	(334,008)	-	(334,008)	-
Cash payments to suppliers for goods or services	(406,484)	(186,686)	(593,170)	(48,252)
Net cash provided by (used by) operating activities	<u>(220,269)</u>	<u>(186,686)</u>	<u>(406,955)</u>	<u>83</u>
Cash flows from non-capital financing activities:				
Increase (decrease) in due to other funds	-	48,620	48,620	(100)
State grants received	6,754	-	6,754	-
Federal grants received	246,274	-	246,274	-
Net cash provided by (used by) non-capital financing activities	<u>253,028</u>	<u>48,620</u>	<u>301,648</u>	<u>(100)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(79,148)</u>	-	<u>(79,148)</u>	-
Cash flows from investing activities:				
Interest on investments	<u>99</u>	-	<u>99</u>	-
Net (decrease) in cash and cash equivalents	(46,290)	(138,066)	(184,356)	(17)
Cash and cash equivalents beginning of year	<u>332,425</u>	<u>138,066</u>	<u>470,491</u>	<u>17</u>
Cash and cash equivalents end of year	<u>\$ 286,135</u>	<u>\$ -</u>	<u>\$ 286,135</u>	<u>\$ -</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	Enterprise Funds		Total	Internal Service Fund
	School Nutrition	Nonmajor Enterprise		
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (329,520)	\$ (3,367)	\$ (332,887)	\$ -
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
Commodities used	56,199	-	56,199	-
Depreciation	46,008	-	46,008	-
(Increase) decrease in inventories	1,918	(184,417)	(182,499)	-
(Increase) decrease in accounts receivable	(408)	-	(408)	83
Increase in accounts payable	12,072	1,098	13,170	-
(Decrease) in salaries and benefits payable	(1,962)	-	(1,962)	-
(Decrease) in deferred revenue	(4,576)	-	(4,576)	-
Net cash provided by (used by) operating activities	\$ <u>(220,269)</u>	\$ <u>(186,686)</u>	\$ <u>(406,955)</u>	\$ <u>83</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$56,199 of federal commodities.

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Bondurant-Farrar 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. The geographic area served includes the Cities of Bondurant and Farrar, Iowa, and agricultural territory in Polk and Jasper 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, Bondurant-Farrar 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. Bondurant-Farrar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk and Jasper County Assessor's Conference Boards.

#### B. Basis of Presentation

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

The Statement of 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 attributable 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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting 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 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 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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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 major proprietary fund:

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

Additionally, the District reports the nonmajor Enterprise, Construction Class Fund, which is used to account for the construction of houses within the District for educational purposes, and the Internal Service Fund, Flex Plan which is used to account for Internal Revenue Service section 125 flexible benefits program.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 funds are 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 non-operating 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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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 investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that these transactions between funds had not been paid or received as of June 30, 2014.

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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

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

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

Advances from grantors and others – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year and preschool registrations and retiree’s insurance premiums received in advance have been accrued as liabilities.

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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the District-wide financial statements. The District had no compensated absences liability at June 30, 2014.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses exceeded the amounts budgeted in the support services and non-instructional programs functions.

Note 2. Cash and Pooled Investments

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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 the following investments:

	Amortized Cost
Money Market Mutual Funds	\$ 933,744
U.S. Treasury Notes	820,000
Iowa Schools Joint Investment Trust, Diversified Portfolio	6,667,686
	\$ 8,421,430

The investment in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the money market mutual funds and U.S. Treasury notes are valued at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services. The investment in the money market mutual fund is unrated and the investment in the U.S. Treasury notes is not subject to investment rating.

Note 3. Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, Construction Class	\$ 48,620

The amount due to the General Fund from the Enterprise, Construction Class Fund is the result of pooled cash balances.

Note 4. 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	\$ 553,050

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Interfund Transfers (continued)

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

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,161,901	\$ -	\$ -	\$ 1,161,901
Construction in progress	1,537,180	11,152,672	-	12,689,852
Total capital assets not being depreciated	<u>2,699,081</u>	<u>11,152,672</u>	<u>-</u>	<u>13,851,753</u>
Capital assets being depreciated:				
Buildings	28,544,432	17,700	-	28,562,132
Improvements other than buildings	678,082	-	-	678,082
Furniture and equipment	3,856,119	575,131	142,300	4,288,950
Total capital assets being depreciated	<u>33,078,633</u>	<u>592,831</u>	<u>142,300</u>	<u>33,529,164</u>
Less accumulated depreciation for:				
Buildings	5,891,650	552,587	-	6,444,237
Improvements other than buildings	586,324	17,518	-	603,842
Furniture and equipment	2,814,104	258,060	142,300	2,929,864
Total accumulated depreciation	<u>9,292,078</u>	<u>828,165</u>	<u>142,300</u>	<u>9,977,943</u>
Total capital assets being depreciated, net	<u>23,786,555</u>	<u>(235,334)</u>	<u>-</u>	<u>23,551,221</u>
Governmental activities capital assets, net	<u>\$ 26,485,636</u>	<u>\$ 10,917,338</u>	<u>\$ -</u>	<u>\$ 37,402,974</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 591,846	\$ 79,148	\$ -	\$ 670,994
Less accumulated depreciation	<u>329,665</u>	<u>46,008</u>	<u>-</u>	<u>375,673</u>
Business-type activities capital assets, net	<u>\$ 262,181</u>	<u>\$ 33,140</u>	<u>\$ -</u>	<u>\$ 295,321</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 83,314
Other	12,455

Support services:

Instructional staff	21,906
Administration	211
Operation and maintenance of plant	8,803
Transportation	<u>107,711</u>
	234,400

Unallocated depreciation	<u>593,765</u>
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Total depreciation expense - governmental activities	<u>\$ 828,165</u>
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Business-type activities:

Food service operations	<u>\$ 46,008</u>
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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 122,630	\$ 55,992	\$ 32,462	\$ 146,160	\$ 34,520
General obligation bonds	8,555,000	-	400,000	8,155,000	420,000
Revenue bonds	10,000,000	-	-	10,000,000	-
Notes payable	1,365,000	-	260,000	1,105,000	265,000
Net OPEB liability	397,770	52,599	-	450,369	-
Total	<u>\$ 20,440,400</u>	<u>\$ 108,591</u>	<u>\$ 692,462</u>	<u>\$ 19,856,529</u>	<u>\$ 719,520</u>

Early Retirement

The District occasionally offers a voluntary early retirement plan to all employees. For the year ended June 30, 2014, the District offered early retirement to administrators only. Eligible employees must have completed seven years of continuous service to the District and be IPERS retirement eligible. Employees must complete an application which is required to be approved by the Board of Education.

For the current year early retirement benefit, the District will provide single health and dental coverage at the highest premium, lowest deductible plan offered by the District until the employee reaches age 65 or becomes Medicare eligible.

In prior years, an employee granted early retirement received a stipend equal to \$3,000 less lawful deductions. An employee granted early retirement could elect to continue participation in the District's group health insurance plan subject to approval of the carrier and in accordance with Iowa law. The employee must have been a participant in the District's group health insurance plan. The District would continue to pay up to \$350 per month towards the premium for single coverage until the employee is eligible for Medicare or Medicaid for any reason, becomes covered by another employer provided group health insurance plan, dies, or fails to pay the balance of the premium due for coverage.

At June 30, 2014, the District had obligations to eight participants with a total liability of \$146,160. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$32,462. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2008			
	Interest Rates	Principal	Interest	Total
2015	4.10 %	\$ 420,000	\$ 346,200	\$ 766,200
2016	4.10	440,000	328,980	768,980
2017	4.10	465,000	310,940	775,940
2018	4.10	490,000	291,875	781,875
2019	4.10	510,000	271,785	781,785
2020-2024	4.10	2,930,000	1,024,775	3,954,775
2025-2028	4.30-4.70	2,900,000	339,825	3,239,825
		<u>\$ 8,155,000</u>	<u>\$ 2,914,380</u>	<u>\$ 11,069,380</u>

Bond Refunding Escrow

During the two years ended June 30, 2014, the District levied for additional debt service tax revenues beyond the current year needs. This additional revenue has been placed in an irrevocable escrow account to advance refund \$820,000 of the principal due on the July 1, 2008 general obligation bonds when those bonds become callable on June 1, 2018. The bonds will remain on the District's financial statements until the call date. The balance of the escrow fund at June 30, 2014 was \$820,000.

Revenue Bonds

During the year ended June 30, 2013, the District issued \$10,000,000 in School Infrastructure Sales, Services and Use Tax revenue bonds. The bonds are dated June 4, 2013, are payable through the year ended June 30, 2030, and have interest rates ranging from 2.00% to 3.00%. The proceeds from the bonds will be used for the construction of a new K-2 elementary building.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00 %	-	\$ 232,460	\$ 232,460
2016	2.00	585,000	226,610	811,610
2017	2.00	590,000	214,860	804,860
2018	2.00	600,000	202,960	802,960
2019	2.00	610,000	190,860	800,860
2020-2024	2.00	3,220,000	765,300	3,985,300
2025-2029	2.10-3.00	3,610,000	381,179	3,991,179
2030	3.00	785,000	11,775	796,775
		<u>\$ 10,000,000</u>	<u>\$ 2,226,004</u>	<u>\$ 12,226,004</u>

The District pledged future local option (statewide) sales, services and use tax revenues to repay the \$10,000,000 bonds issued in June, 2013. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 18 to 63 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,226,004. For the current year, only interest of \$133,665 was paid on the bonds and total statewide sales and services tax revenues were \$1,273,124.

The resolution providing for the issuance of the school infrastructure sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will be redeemed from the future earnings of the school infrastructure sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$817,460 to be used solely for the purpose of paying principal and interest in the event the funds available within the sinking fund are not sufficient for that purpose.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of The next interest payment shall be made to the sinking fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the revenue fund after the required transfer to the sinking fund may be Transferred to the project fund to be used for any lawful purpose.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2014 capital loan notes indebtedness is as follows:

Year Ending June 30,	Issue dated June 1, 2009			
	Interest Rates	Principal	Interest	Total
2015	2.80 %	\$ 265,000	\$ 35,895	\$ 300,895
2016	3.10	270,000	28,475	298,475
2017	3.40	280,000	20,105	300,105
2018	3.65	290,000	10,585	300,585
		<u>\$ 1,105,000</u>	<u>\$ 95,060</u>	<u>\$ 1,200,060</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 100 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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	\$ 92,441
Interest on net OPEB obligation	9,944
Adjustment to annual required contribution	<u>34,626</u>
Annual OPEB cost	67,759
Contributions made	<u>15,160</u>
Increase in net OPEB obligation	52,599
Net OPEB obligation beginning of year	<u>397,770</u>
Net OPEB obligation end of year	<u>\$ 450,369</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 \$15,160 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 184,203	30.0%	\$ 344,961
2013	69,817	24.4%	397,770
2014	67,759	22.4%	450,369

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 \$479,755, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$479,755. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,749,000, and the ratio of the UAAL to covered payroll was 17.5%. As of June 30, 2014, there were no trust fund assets.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. 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 covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$790,348, \$676,645, and \$590,443, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$572,519 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 11. Categorical Funding

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

Program	Amount
Four year old preschool state aid	\$ 176,877
Professional development for model core curriculum	78,112
Successful progression for early readers	19,582
Teacher salary supplement	19,379
Teacher leadership grants	10,441
Professional development	8,423
Home school assistance program	2,622
Total	\$ 315,436

Note 12. Construction Commitments

The District has entered into various contracts totaling \$12,499,966 for a new elementary school building and a new stadium and related lighting. As of June 30, 2014, costs of \$11,478,548 had been incurred against the contracts. The balance of \$1,021,418 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 13. 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 ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and 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 employee pension plan.

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Required Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 6,835,209	\$ 525,306	\$ 7,360,515	\$ 8,425,908	\$ 8,425,908	\$ (1,065,393)
State sources	10,501,047	6,754	10,507,801	9,408,049	9,408,049	1,099,752
Federal sources	433,423	300,824	734,247	395,000	395,000	339,247
<b>Total revenues</b>	<b>17,769,679</b>	<b>832,884</b>	<b>18,602,563</b>	<b>18,228,957</b>	<b>18,228,957</b>	<b>373,606</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	9,620,521	3,367	9,623,888	10,062,000	10,562,000	938,112
Support services	5,754,957	10,525	5,765,482	4,888,000	5,388,000	(377,482)
Non-instructional programs	-	844,202	844,202	700,000	800,000	(44,202)
Other expenditures	13,072,234	-	13,072,234	14,114,915	14,864,915	1,792,681
<b>Total expenditures/expenses</b>	<b>28,447,712</b>	<b>858,094</b>	<b>29,305,806</b>	<b>29,764,915</b>	<b>31,614,915</b>	<b>2,309,109</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(10,678,033)	(25,210)	(10,703,243)	(11,535,958)	(13,385,958)	2,682,715
Other financing sources and extraordinary item, net	1,464,349	-	1,464,349	3,000,000	3,000,000	(1,535,651)
Excess (deficiency) of revenues, other financing sources and extraordinary item over (under) expenditures/expenses	(9,213,684)	(25,210)	(9,238,894)	(8,535,958)	(10,385,958)	1,147,064
Balance beginning of year	17,136,578	713,018	17,849,596	17,357,447	17,357,447	492,149
Balance end of year	\$ <u>7,922,894</u>	\$ <u>687,808</u>	\$ <u>8,610,702</u>	\$ <u>8,821,489</u>	\$ <u>6,971,489</u>	\$ <u>1,639,213</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR 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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$1,850,000.

During the year ended June 30, 2014, expenditures/expenses in the support services and non-instructional functions exceeded the amounts budgeted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 1,073	\$ 1,073	0.0%	\$ 6,230	17.2%
2011	July 1, 2009	-	1,073	1,073	0.0%	6,718	16.0%
2012	July 1, 2009	-	1,073	1,073	0.0%	7,448	14.4%
2013	July 1, 2012	-	499	499	0.0%	2,744	18.2%
2014	July 1, 2012	-	480	480	0.0%	2,749	17.5%

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

See accompanying independent auditor's report.

Supplementary Information

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 280,467	\$ 62,575	\$ 343,042
Receivables:			
Property tax:			
Current year	2,632	-	2,632
Succeeding year	420,000	-	420,000
Accounts	-	10,553	10,553
Total assets	\$ 703,099	\$ 73,128	\$ 776,227
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,100	\$ 14,065	\$ 15,165
Advances from others	2,057	-	2,057
Total liabilities	3,157	14,065	17,222
<b>Deferred inflows of resources:</b>			
Unavailable revenues:			
Succeeding year property tax	420,000	-	420,000
<b>Fund balances:</b>			
Management levy purposes	279,942	-	279,942
Student activities	-	59,063	59,063
Total fund balances	279,942	59,063	339,005
Total liabilities, deferred inflows of resources and fund balances	\$ 703,099	\$ 73,128	\$ 776,227

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 421,004	\$ -	\$ 421,004
Other	32,556	258,845	291,401
State sources	131	-	131
Total revenues	<u>453,691</u>	<u>258,845</u>	<u>712,536</u>
Expenditures:			
Current:			
Instruction	2,733	294,691	297,424
Support services:			
Administration	57,410	-	57,410
Operation and maintenance of plant	202,486	-	202,486
Transportation	12,407	-	12,407
Total expenditures	<u>275,036</u>	<u>294,691</u>	<u>569,727</u>
Excess (deficiency) of revenues over (under) expenditures	178,655	(35,846)	142,809
Fund balances beginning of year	<u>101,287</u>	<u>94,909</u>	<u>196,196</u>
Fund balances end of year	<u>\$ 279,942</u>	<u>\$ 59,063</u>	<u>\$ 339,005</u>

See accompanying independent auditor's report.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS

June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 2,501,541	\$ 536,849	\$ 1,500,738	\$ 4,539,128
Receivables:				
Property tax:				
Current year	-	2,832	-	2,832
Succeeding year	-	506,507	-	506,507
Intrafund receivable*	516,141	-	-	516,141
Due from other governments	203,209	-	-	203,209
	<u>\$ 3,220,891</u>	<u>\$ 1,046,188</u>	<u>\$ 1,500,738</u>	<u>\$ 5,767,817</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Intrafund payable*	-	-	516,141	516,141
Accounts payable	-	-	870,535	870,535
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,386,676</u>	<u>\$ 1,386,676</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	506,507	-	506,507
	<u>-</u>	<u>506,507</u>	<u>-</u>	<u>506,507</u>
Fund balances:				
Restricted for:				
Other capital projects	-	-	114,062	114,062
School infrastructure	3,220,891	-	-	3,220,891
Physical plant and equipment	-	539,681	-	539,681
Total fund balances	<u>3,220,891</u>	<u>539,681</u>	<u>114,062</u>	<u>3,874,634</u>
	<u>\$ 3,220,891</u>	<u>\$ 1,046,188</u>	<u>\$ 1,500,738</u>	<u>\$ 5,767,817</u>

See accompanying independent auditor's report.

\* = These amounts have been eliminated from the basic financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 498,766	\$ -	\$ 498,766
Other	9,475	691	869	11,035
State sources	1,273,124	140	-	1,273,264
Total revenues	<u>1,282,599</u>	<u>499,597</u>	<u>869</u>	<u>1,783,065</u>
Expenditures:				
Current:				
Support services:				
Operation and maintenance of plant	17,700	-	-	17,700
Other expenditures:				
Facilities acquisition	-	-	11,297,795	11,297,795
Long-term debt:				
Interest and fiscal charges	2,000	-	-	2,000
Total expenditures	<u>19,700</u>	<u>-</u>	<u>11,297,795</u>	<u>11,317,495</u>
Excess (deficiency) of revenues over (under) expenditures	1,262,899	499,597	(11,296,926)	(9,534,430)
Other financing sources (uses):				
Intrafund transfers in*	-	-	8,896,445	8,896,445
Intrafund transfers out*	(8,896,445)	-	-	(8,896,445)
Interfund transfers out	(249,895)	(303,155)	-	(553,050)
Total other financing sources (uses)	<u>(9,146,340)</u>	<u>(303,155)</u>	<u>8,896,445</u>	<u>(553,050)</u>
Change in fund balances before extraordinary item	(7,883,441)	196,442	(2,400,481)	(10,087,480)
Extraordinary item:				
Donations from private source	-	-	1,463,100	1,463,100
Net change in fund balances	(7,883,441)	196,442	(937,381)	(8,624,380)
Fund balances beginning of year	<u>11,104,332</u>	<u>343,239</u>	<u>1,051,443</u>	<u>12,499,014</u>
Fund balances end of year	<u>\$ 3,220,891</u>	<u>\$ 539,681</u>	<u>\$ 114,062</u>	<u>\$ 3,874,634</u>

See accompanying independent auditor's report.

\* = These amounts have been eliminated from the basic financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 2,877	\$ 1,471	\$ 1,779	\$ 2,569
HS Play	3,653	1,144	814	3,983
Speech	-	-	1,893	(1,893)
Vocal Music	4,195	2,779	3,289	3,685
Instrumental Music	922	5,883	4,347	2,458
Cheerleaders	8,680	1,999	7,478	3,201
Jayz Danz Drill Team	689	1,625	1,717	597
General Athletics	28,575	198,631	218,946	8,260
Class of 2009	-	-	8	(8)
Class of 2011	3,579	-	-	3,579
Class of 2014	675	-	-	675
Prom Account	315	4,775	2,671	2,419
Farrar Carnival	1,102	-	-	1,102
High School Students in Need	1,031	-	-	1,031
Jump Rope for Heart	1,951	-	-	1,951
Honor Society	-	-	269	(269)
3rd Grade Bubble Account	1,563	-	-	1,563
Yearbook - HS	(7,541)	5,006	6,309	(8,844)
Art Club	1,576	285	636	1,225
Industrial Tech - Donations	3	-	-	3
Club Hola	12,349	5,890	18,239	-
FCCLA	170	1,440	2,187	(577)
FBLA	1,397	4,697	4,509	1,585
Student Council	2,514	8,336	8,400	2,450
Middle School Student Council	2,955	11,207	8,658	5,504
General Activity - HS	698	920	195	1,423
Middle School Vocal Music	1,368	-	-	1,368
Elementary Students in Need	3,968	-	-	3,968
Elementary Yearbook	5,444	2,757	2,347	5,854
General Activity - Elem	4,992	-	-	4,992
Football Flag	4,127	-	-	4,127
Best Rewards	1,042	-	-	1,042
Swing Choir	40	-	-	40
	\$ 94,909	\$ 258,845	\$ 294,691	\$ 59,063

See accompanying independent auditor's report.

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 5,371,175	\$ 6,292,068	\$ 6,145,860	\$ 5,849,710
Tuition	803,354	834,199	821,359	778,465
Other	660,680	680,433	691,251	598,409
State sources	10,501,047	8,289,088	7,918,124	7,064,590
Federal sources	433,423	557,872	2,178,299	663,546
	<hr/>			
Total revenues	<u>\$ 17,769,679</u>	<u>\$ 16,653,660</u>	<u>\$ 17,754,893</u>	<u>\$ 14,954,720</u>
Expenditures:				
Instruction	\$ 9,620,521	\$ 8,613,650	\$ 8,063,602	\$ 7,124,370
Support services:				
Student	472,634	446,986	357,554	328,199
Instructional staff	860,996	702,125	782,534	587,698
Administration	1,591,220	1,427,516	1,209,255	1,195,895
Operation and maintenance of plant	1,952,144	1,245,432	1,421,923	1,147,673
Transportation	877,963	501,329	617,343	431,316
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	11,297,795	2,618,208	3,371,310	1,183,694
Long-term debt:				
Principal	660,000	640,000	620,000	595,000
Interest and fiscal charges	541,920	558,464	446,448	463,690
AEA flowthrough	572,519	519,255	486,057	491,354
	<hr/>			
Total expenditures	<u>\$ 28,447,712</u>	<u>\$ 17,272,965</u>	<u>\$ 17,376,026</u>	<u>\$ 13,548,889</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	5,347,324	\$ 5,170,202	\$ 4,106,306	\$ 3,971,159	\$ 3,527,309	\$ 3,306,713
	605,033	663,116	553,353	546,397	469,489	464,409
	625,768	867,982	504,852	550,028	503,821	497,776
	5,743,746	6,383,061	5,743,142	5,065,455	4,367,508	3,974,938
	871,680	251,757	129,774	140,591	132,059	123,261
\$	<u>13,193,551</u>	<u>13,336,118</u>	<u>11,054,908</u>	<u>10,273,630</u>	<u>9,000,186</u>	<u>8,367,097</u>
\$	6,470,346	\$ 6,637,404	\$ 6,621,838	\$ 5,956,907	\$ 4,812,198	\$ 4,653,586
	322,503	279,266	322,291	438,911	311,523	286,397
	382,706	366,299	275,477	271,626	270,701	193,651
	1,058,486	1,020,673	990,542	986,305	874,871	778,394
	934,173	819,473	947,590	952,297	853,039	716,959
	448,597	313,474	299,955	363,546	329,050	204,073
	-	-	-	4,743	17,788	111,739
	6,630,208	6,198,992	293,924	93,815	137,668	542,150
	1,140,000	895,000	770,000	795,000	760,000	800,000
	488,832	473,664	97,597	129,012	157,668	188,749
	459,931	403,005	364,846	330,110	281,153	262,502
\$	<u>18,335,782</u>	<u>17,407,250</u>	<u>10,984,060</u>	<u>10,322,272</u>	<u>8,805,659</u>	<u>8,738,200</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Bondurant-Farrar Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar 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 January 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bondurant-Farrar 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 Bondurant-Farrar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 deficiencies in internal control over financial reporting we consider to be material weaknesses 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

### Compliance

As part of obtaining reasonable assurance about whether Bondurant-Farrar 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 that are described in Part II of the accompanying Schedule of Findings.

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

### Bondurant-Farrar Community School District's Responses to Findings

Bondurant-Farrar Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Bondurant-Farrar 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 report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bondurant-Farrar 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.

Oskaloosa, Iowa  
January 26, 2015

*Hunt & Associates, P.C.*

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Financial Reporting – During the audit, we identified material amounts of debt service transactions and accrued payroll transactions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements. Debt service transactions for bond interest payments totaling \$133,665 and interest revenues totaling \$3,303 resulted because the District did not perform monthly bank reconciliations for the related Bankers Trust revenue bond and bond escrow bank accounts. The District also overlooked the accrual for the health care expense related to the salaries and benefits that were properly accrued.

Recommendation – The District should develop controls over cash and related transactions by requiring preparation of monthly reconciliations of all bank accounts. The District should include in these controls the preparation of a list of all bank accounts related to the District, then require monthly reconciliations of each bank account and independent reviews of those reconciliations. These measures would also help to insure the accuracy of monthly financial reports reviewed by the finance committee. The District should also develop controls over year end accruals of payroll and insure that all related transactions are properly included, including a review of those accruals by someone not involved in preparing the accrual entry.

Response – We will look at these situations and develop the necessary controls to mitigate the problems. We realize the importance of accurately recording all financial transactions and accurately reporting those transactions in our financial statements.

Conclusion – Response accepted.

I-B-14 Insurance Premiums – We noted in our testing of early retirement insurance payments that employee contributions qualifying as the COBRA portion of the health insurance premium for continuation of insurance coverage were properly recorded as revenue in the General Fund. However, some of the related expenditures were made from the Special Revenue, Management Fund.

Recommendation – The COBRA portion of insurance coverage would not be an allowable expenditure from the Management Fund per Chapter 298.4 of the Code of Iowa. This portion of the insurance payment would more properly be recorded in the General Fund and would then properly match the related employee contribution. Subsequent to year end, the District transferred \$5,895 from the Management Fund to the General Fund by journal entry to correct the unallowable expenditures. The District should establish controls to reconcile COBRA premium expenditures to the related revenue and to make the expenditures from the General Fund.

Response – We will establish the necessary controls to match the COBRA insurance premium contributions to the related expenditure and we will make the expenditure from the proper fund in the future.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amounts budgeted in the support services and non-instructional programs functions.

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

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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
Patti Davis, Spouse of Board Member Steve Davis	Coach	\$5,046
Wesley Creason, employee Owner of George Long Company	School supplies	\$3,812
Mike Ugulini, spouse of Board Member Susan Ugulini	Bus driver	\$8,375
Tom Looft, Board Member	Painting services	\$2,490

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with Board Member Looft does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year. The transactions with the spouses of Board Members Ugulini and Davis do not represent conflicts of interest according to an Attorney General’s opinion dated November 9, 1976. The transaction with Coach Creason does not 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 ensure that the coverage is adequate for current operations.

II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted. However, the District has investments In Money Market Mutual Funds which are not an allowable investment under the District’s policy.

Recommendation – The District should either modify the District’s investment policy to allow Money Market Mutual Funds as District investments, or divest themselves of the unallowable investment and purchase other investments which are allowed under the investment policy.

Response – We will investigate this situation and decide on the best course in the future to satisfy our investment requirements.

Conclusion – Response accepted.

II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 11,104,332	
Revenues:			
Interest	\$	9,475	
Statewide sales, services and use tax		1,271,428	
School infrastructure supplemental amount		<u>1,696</u>	1,282,599
Expenditures/transfers out:			
Equipment		17,700	
Other		2,000	
Transfers to other funds:			
Debt Service Fund		249,895	
Other transfers		<u>8,896,445</u>	<u>9,166,040</u>
Ending balance		\$	<u><u>3,220,891</u></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 National Meal Programs – We noted in our testing of claims filed for meal reimbursements under the Child Nutrition Cluster of programs that the number of breakfasts reported for the month of February was overstated by 4,465 at the high school site. The lunch figures were used for both the lunch and breakfast claims. This resulted in a reimbursement that was overstated by \$2,594.

Recommendation – The District should contact the Department of Education and report the excess claim for February of \$2,594 and make the proper repayment of those funds.

Response – This was an oversight for this month and we will take the appropriate actions necessary.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

- II-N-14 Interfund Loans – We noted during our audit that the District had implicit interfund loans between the Capital Projects, Stadium Construction Project Account and the Capital Projects, Statewide Sales, Services and Use Tax Account and between the General Fund and the Nonmajor Enterprise, Construction Class Fund to cover the negative cash balances in the Stadium Construction Project Account and Construction Class Fund, respectively.

According to declaratory order number 4672 issued by the Iowa Department of Education to the Iowa Auditor of State, interfund loans must be approved by Board resolution, include interest on the unpaid balance, and be repaid by October 1 of the following year.

Recommendation – The negative cash balance in the Funds should have been covered by an interfund loan approved by the Board including the interest rate and repayment plan in order to comply with the declaratory order.

Response – We will follow the Iowa Department of Education’s declaratory order in the future when applicable.

Conclusion – Response accepted.

- II-O-14 Deficit Balances – The Yearbook, Speech, FCCLA, Honor Society and Class of 2009 student activity accounts within the nonmajor Special Revenue, Student Activity Fund had deficit balances of \$8,844, \$1,893, \$577, \$269 and \$8, respectively, at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in the Activity Fund.

Response – the District is continuing to investigate alternatives to eliminate this deficit account within the Student Activity Fund at the end of the fiscal year.

Conclusion – Response accepted.