

**Ballard Community School District  
Huxley, Iowa**

Financial Report  
Year Ended June 30, 2015



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**Ballard Community School District**

**Officials**

**Year Ended June 30, 2015**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
Steven Domino	President	2019
Jean Saveraid	Vice President	2017
Darin Wohlgemuth	Board Member	2017
Brandee Gatchel	Board Member	2019
Kirk Peterson	Board Member	2019
<b>School Officials</b>		
Ottie Maxey	Superintendent	2016
Patricia Townsend	Director of Business Services	2016
Dave McGill	Director of Technology	2016
Doug Schroeder	Director of Buildings & Grounds	2016
Tom Sharpnack	Director of Transportation	2016

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard Community School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard Community School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 12 to the basic financial statements, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. As a result, the District's net position for governmental activities has been restated. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, budgetary comparison information, and schedules of proportionate share of the net pension liability and schedules of contributions on pages 4-13 and 49-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2006 through 2011, which are not presented herein, were audited by other auditors whose report thereon dated March 20, 2012, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2006 through 2011 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2006 through 2011 taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Bohnsack & Frommelt LLP*

Taylor Ridge, Illinois  
February 2, 2016

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## **Ballard Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2015**

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Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

#### **2014-15 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$15,582,418 in fiscal year 2014 to \$17,089,402 in fiscal year 2015 which represents a 9.7% increase.
- General Fund expenditures increased from \$14,479,271 in fiscal year 2014 to \$15,536,892 in fiscal year 2015 which represents a 7.3% increase.
- As of June 30, 2015, the District's governmental funds reported combined ending fund balances of \$6,503,214, an increase of \$1,512,631 from 2014. As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$4,990,583, an increase of \$1,341,782 from 2013.
- The District's net position increased \$2,858,923 during the year ended June 30, 2015. The District's net position increased \$2,085,504 during the year ended June 30, 2014.

#### **USING THIS ANNUAL REPORT**

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

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

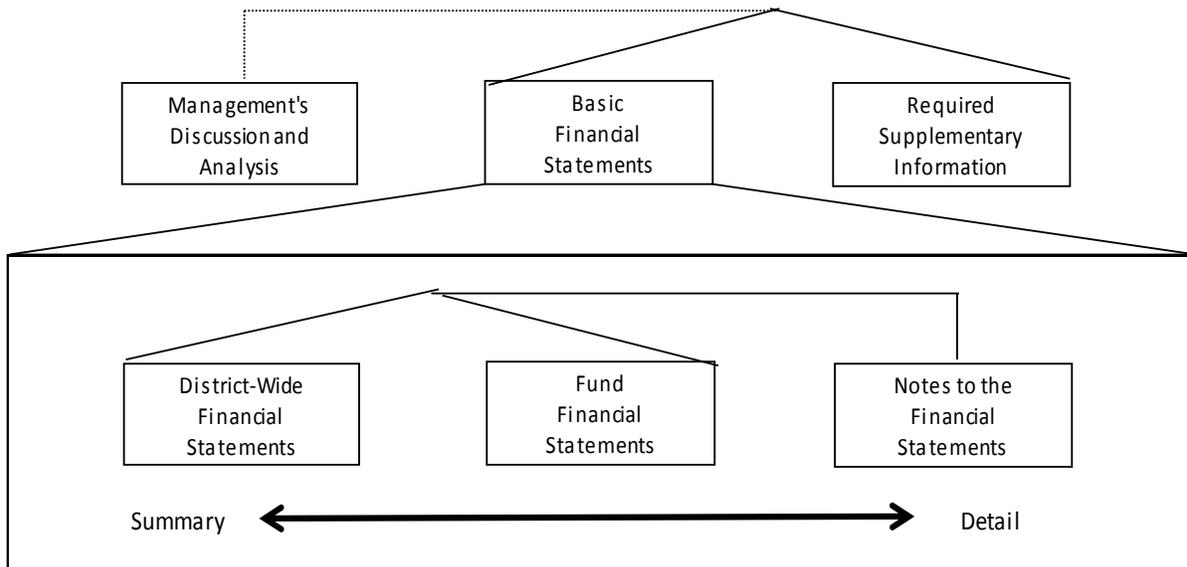
**Ballard Community School District**

**Management's Discussion and Analysis  
Year Ended June 30, 2015**

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

Figure A-1  
Ballard Community School District Annual Financial Report



# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2015

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

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
Government-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net position  Statement of revenues, expenses and changes in net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2015

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### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

#### Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

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

#### Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2014-15 were the General Fund, Capital Projects Fund, and Debt Service Fund. The nonmajor governmental funds include two Special Revenue Funds (the Management Fund and Student Activities Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2015

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, which is used to account for the District's self-funded health insurance plan.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position as of June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-15
	June 30, 2015	June 30, 2014 (Restated)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014 (Restated)	
Current and other assets	\$ 15,741,312	\$ 13,685,557	\$ 73,951	\$ 57,313	\$ 15,815,263	\$ 13,742,870	15.1%
Capital assets	34,394,443	34,973,629	8,395	11,170	34,402,838	34,984,799	-1.7%
<b>Total assets</b>	<b>50,135,755</b>	<b>48,659,186</b>	<b>82,346</b>	<b>68,483</b>	<b>50,218,101</b>	<b>48,727,669</b>	<b>3.1%</b>
Deferred outflows of resources	1,114,740	784,526	-	-	1,114,740	784,526	42.1%
Current liabilities	3,533,987	3,352,072	17,709	16,499	3,551,696	3,368,571	5.4%
Non-current liabilities	26,092,977	30,156,390	-	-	26,092,977	30,156,390	-13.5%
<b>Total liabilities</b>	<b>29,626,964</b>	<b>33,508,462</b>	<b>17,709</b>	<b>16,499</b>	<b>29,644,673</b>	<b>33,524,961</b>	<b>-11.6%</b>
Deferred inflows of resources	9,411,722	6,592,039	-	-	9,411,722	6,592,039	42.8%
Net position:							
Net investment in capital assets	13,691,888	12,856,074	8,395	11,170	13,700,283	12,867,244	6.5%
Restricted	3,089,002	2,993,824	-	-	3,089,002	2,993,824	3.2%
Unrestricted	(4,569,081)	(6,506,687)	33,914	40,814	(4,535,167)	(6,465,873)	-29.9%
<b>Total net position</b>	<b>\$ 12,211,809</b>	<b>\$ 9,343,211</b>	<b>\$ 42,309</b>	<b>\$ 51,984</b>	<b>\$ 12,254,118</b>	<b>\$ 9,395,195</b>	<b>30.4%</b>

The District's combined net position as of June 30, 2015 increased by \$2,858,923 (30.4 percent) over the June 30, 2014 combined net position. Net position in the governmental activities increased by \$2,868,598 (30.7 percent). The net position of the District's business-type activities decreased by \$9,675 (18.6 percent).

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$95,178 or 3.2 percent from the prior year.

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2015

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by \$1,930,706.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-15
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
Revenues:	(Not Restated)						
Program revenues:	(Not Restated)						
Charges for services	\$ 1,019,949	\$ 1,022,061	\$ 453,901	\$ 524,479	\$ 1,473,850	\$ 1,546,540	-4.7%
Operating grants and contributions	3,268,019	3,089,518	242,712	250,213	3,510,731	3,339,731	5.1%
Capital grants and contributions	21,714	-	-	-	21,714	-	0.0%
General revenues:							
Property taxes	6,633,936	6,248,612	-	-	6,633,936	6,248,612	6.2%
Income surtax	197,553	185,952	-	-	197,553	185,952	6.2%
State foundation aid	8,429,140	7,822,330	-	-	8,429,140	7,822,330	7.8%
Statewide sales and services tax	1,521,748	1,340,763	-	-	1,521,748	1,340,763	13.5%
Other	22,214	14,069	46	42	22,260	14,111	57.7%
<b>Total revenues</b>	<b>21,114,273</b>	<b>19,723,305</b>	<b>696,659</b>	<b>774,734</b>	<b>21,810,932</b>	<b>20,498,039</b>	<b>6.4%</b>
Expenses:							
Instruction	10,623,410	9,976,654	-	-	10,623,410	9,976,654	6.5%
Support services	4,927,499	4,961,094	-	-	4,927,499	4,961,094	-0.7%
Noninstructional programs	-	-	706,334	804,317	706,334	804,317	-12.2%
Other	2,694,766	2,670,470	-	-	2,694,766	2,670,470	0.9%
<b>Total expenses</b>	<b>18,245,675</b>	<b>17,608,218</b>	<b>706,334</b>	<b>804,317</b>	<b>18,952,009</b>	<b>18,412,535</b>	<b>2.9%</b>
<b>Increase (decrease) in net position</b>	<b>\$ 2,868,598</b>	<b>\$ 2,115,087</b>	<b>\$ (9,675)</b>	<b>\$ (29,583)</b>	<b>\$ 2,858,923</b>	<b>\$ 2,085,504</b>	<b>37.1%</b>

In 2014-2015, property taxes, income surcharge tax, and statewide sales and services tax and state foundation aid accounted for 79.5 percent of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 99.9 percent of the revenue from business-type activities.

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

The District's expenses primarily relate to instruction and support services which account for 82.1 percent of the total expenses.

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2015

### Governmental Activities

Total revenue for the District's governmental activities increased by \$1,390,968 (7.1 percent) in the fiscal year ended June 30, 2015. One of the significant changes was in state foundation aid. The state foundation aid increased \$606,810 and is based on student enrollment. Property taxes increased \$385,324 (6.2 percent) due to an increase in assessed valuation.

Total District governmental activities expenses increased by \$637,457 (3.6 percent), mainly attributable to increases in number of full-time equivalent employees.

Figure A-5 presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change 2014-15
	June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014	
Instruction	\$ 10,623,410	\$ 9,976,654	6.48%	\$ 6,969,230	\$ 6,448,763	8.1%
Support services	4,927,499	4,961,094	-0.68%	4,905,785	4,961,094	-1.1%
Other	2,694,766	2,670,470	0.91%	2,060,978	2,086,782	-1.2%
<b>Total</b>	<b>\$ 18,245,675</b>	<b>\$ 17,608,218</b>	<b>3.62%</b>	<b>\$ 13,935,993</b>	<b>\$ 13,496,639</b>	<b>3.3%</b>

For the year ended June 30, 2015:

- The cost financed by the users of the District's programs was \$1,019,949.
- Federal and state government subsidized certain programs with grants and contributions totaling \$3,289,733.
- The net cost of governmental activities was financed with \$6,633,936 in property taxes, \$197,553 of income surtax, \$1,521,748 of statewide sales and services tax, \$8,429,140 of unrestricted state grants, and \$22,214 other.

For the year ended June 30, 2014:

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

### Business-Type Activities

The District's business-type activities include the School Nutrition Fund. Revenues of the District's business-type activities in 2014-15 were \$696,659, a decrease of \$78,075 from 2013-14. Expenses were \$706,334, a decrease of \$97,983 from 2013-14. Revenues of these activities were comprised of charges for service, federal and state sources, and interest.

## **Ballard Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2015**

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#### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,503,214 which reflects an increase of \$1,512,631 from last year's ending fund balances of \$4,990,583. The primary reason for the increase in combined fund balances at the end of fiscal 2014 is the increase in General Fund revenues from increased state aid and property taxes offset by a increase in General Fund operating expenditures due to an increase in staff.

#### **Governmental Fund Highlights**

- The fund balance in the District's General Fund increased by \$1,553,011 from \$1,259,728 as of June 30, 2014 to \$2,812,738 as of June 30, 2015. The increase is due to increased state aid offset by an increase in expenditures for increases in staff.
- The fund balance in the Capital Projects Fund decreased \$44,865 from \$2,856,219 as of June 30, 2014 to \$2,811,354 as of June 30, 2015. The decrease is due to the timing of capital projects expenditures.
- The Debt Service Fund had an increase of \$2,774 in ending fund balance from \$104,602 in 2013-2014 to \$107,376 in fiscal year 2014-2015.

#### **Proprietary Fund Highlights**

The District's School Nutrition Fund net position decreased \$9,675 to \$42,309 as of June 30, 2015. The District has continued its agreement with Taher, Inc. to manage the nutrition program.

#### **BUDGETARY HIGHLIGHTS**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service funds, private-purpose trust funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. Over the course of the year, the District amended its certified budget one time. The most significant reason for the amended budget showing \$706,733 more in expenditures than the original certified budget for the 2014-15 fiscal year was costs associated with capital improvements.

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

The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

# Ballard Community School District

## Management's Discussion and Analysis Year Ended June 30, 2015

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

By the end of the 2014-15 fiscal year, the District had invested \$34,402,838 (net of accumulated depreciation of \$12,698,570) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. (See Figure A-6). This amount represents a net decrease of \$581,961 or 1.7 percent from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$1,131,612.

Figure A-6 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-15
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
Land	\$ 791,512	\$ 791,512	\$ -	\$ -	\$ 791,512	\$ 791,512	0.0%
Buildings	32,254,493	32,829,735	-	-	32,254,493	32,829,735	-1.8%
Improvements other than buildings	396,626	451,669	-	-	396,626	451,669	-12.2%
Furniture and equipment	941,812	890,713	8,395	11,170	950,207	901,883	5.4%
Construction in progress	10,000	10,000	-	-	10,000	10,000	0.0%
<b>Total</b>	<b>\$ 34,394,443</b>	<b>\$ 34,973,629</b>	<b>\$ 8,395</b>	<b>\$ 11,170</b>	<b>\$ 34,402,838</b>	<b>\$ 34,984,799</b>	<b>-1.7%</b>

#### Long-Term Liabilities

As of June 30, 2015, the District had approximately \$22 million in general obligation bonds, revenue bonds, and other long-term debt outstanding. This represents a decrease of approximately 6% from last year (see figure A-7). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-15
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
Early retirement	\$ -	\$ 39,381	\$ -	\$ -	\$ -	\$ 39,381	-100.0%
Compensated absences	34,851	27,817	-	-	34,851	27,817	25.3%
Net OPEB liability (asset)	288,422	175,104	-	-	288,422	175,104	64.7%
General obligation bonds	11,475,000	12,080,000	-	-	11,475,000	12,080,000	-5.0%
Capital loan notes	635,000	945,000	-	-	635,000	945,000	-32.8%
Revenue bonds	9,770,000	10,270,000	-	-	9,770,000	10,270,000	-4.9%
<b>Total</b>	<b>\$ 22,203,273</b>	<b>\$ 23,537,302</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,203,273</b>	<b>\$ 23,537,302</b>	<b>-5.7%</b>

## **Ballard Community School District**

### **Management's Discussion and Analysis Year Ended June 30, 2015**

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

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

- The District's FY16 budgeted expenditures for the General Fund is approximately \$16.8 million which is an increase of approximately 7% from the FY15 General Fund budget.
- The District's FY16 total tax rate is 23.053 compared to FY15 of 23.053.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Townsend, Director of Business Services, Ballard Community School District, 509 N Main, PO Box 307, Huxley, IA 50124

**Ballard Community School District**

**Statement of Net Position  
June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,071,981	\$ 65,556	\$ 6,137,537
Restricted cash and investments	1,863,211	-	1,863,211
Receivables:			
Property tax:			
Current year	38,667	-	38,667
Succeeding year	6,851,794	-	6,851,794
Income surtax	174,043	-	174,043
Accounts	342,721	-	342,721
Other	398,895	-	398,895
Inventories	-	8,395	8,395
Capital assets:			
Nondepreciable	801,512	-	801,512
Depreciable, net	33,592,931	8,395	33,601,326
<b>Total assets</b>	<b>50,135,755</b>	<b>82,346</b>	<b>50,218,101</b>
<b>Deferred outflows of resources,</b>			
pension related deferred outflows	1,114,740	-	1,114,740
<b>Liabilities</b>			
Accounts payable	189,902	22,328	212,230
Salaries and benefits payable	1,642,764	-	1,642,764
Accrued interest payable	264,962	-	264,962
Claims incurred but not reported	1,508	-	1,508
Unearned revenue	-	17,709	17,709
Long-term liabilities:			
Portion due within one year:			
Compensated absences	34,851	-	34,851
General obligation bonds	625,000	-	625,000
Capital loan notes	315,000	-	315,000
Revenue bonds	460,000	-	460,000
Portion due after one year:			
General obligation bonds	10,850,000	-	10,850,000
Capital loan notes	320,000	-	320,000
Revenue bonds	9,310,000	-	9,310,000
Net pension liability	5,324,555	-	5,324,555
Net OPEB liability	288,422	-	288,422
<b>Total liabilities</b>	<b>29,626,964</b>	<b>40,037</b>	<b>29,667,001</b>
<b>Deferred inflows of resources:</b>			
Succeeding year property tax	6,851,794	-	6,851,794
Pension related deferred inflows	2,559,928	-	2,559,928
<b>Total deferred inflows of resources</b>	<b>9,411,722</b>	<b>-</b>	<b>9,411,722</b>
<b>Net Position</b>			
Net investment in capital assets	13,691,888	8,395	13,700,283
Restricted for:			
Categorical funding	298,172	-	298,172
Management levy	537,924	-	537,924
Physical plant and equipment levy	263,416	-	263,416
Student activities	233,822	-	233,822
School infrastructure	1,618,536	-	1,618,536
Debt service	107,376	-	107,376
Other	29,756	-	29,756
Unrestricted	(4,569,081)	33,914	(4,535,167)
<b>Total net position</b>	<b>\$ 12,211,809</b>	<b>\$ 42,309</b>	<b>\$ 12,254,118</b>

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Activities  
Year Ended June 30, 2015**

Functions/Programs	Expenses
Governmental activities:	
Instruction	\$ 10,623,410
Support services:	
Student services	486,550
Instructional staff services	575,561
Administration services	2,003,623
Operation and maintenance of plant services	1,180,394
Transportation services	681,371
	<u>4,927,499</u>
Other expenditures:	
Interest on long-term debt	932,141
AEA flowthrough	633,788
Depreciation (unallocated) *	1,128,837
	<u>2,694,766</u>
Total governmental activities	<u>18,245,675</u>
Business-type activities:	
Noninstructional programs, Nutrition services	<u>706,334</u>
Total	<u>\$ 18,952,009</u>
General revenues:	
Property tax levied for:	
General purposes	
Management	
Capital outlay	
Debt Service	
Income surtax	
Statewide sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings	
Gain on sale of capital assets	
Total general revenues	
Change in net position	

Net position, beginning of year, as restated  
Net position, end of year

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

See Notes to Financial Statements.

Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 1,019,949	\$ 2,634,231	\$ -	\$ (6,969,230)	\$ -	\$ (6,969,230)
-	-	21,714	(464,836)	-	(464,836)
-	-	-	(575,561)	-	(575,561)
-	-	-	(2,003,623)	-	(2,003,623)
-	-	-	(1,180,394)	-	(1,180,394)
-	-	-	(681,371)	-	(681,371)
-	-	21,714	(4,905,785)	-	(4,905,785)
-	-	-	(932,141)	-	(932,141)
-	633,788	-	-	-	-
-	-	-	(1,128,837)	-	(1,128,837)
-	633,788	-	(2,060,978)	-	(2,060,978)
1,019,949	3,268,019	21,714	(13,935,993)	-	(13,935,993)
453,901	242,712	-	-	(9,721)	(9,721)
\$ 1,473,850	\$ 3,510,731	\$ 21,714	\$ (13,935,993)	\$ (9,721)	\$ (13,945,714)
			4,850,990	-	4,850,990
			302,024	-	302,024
			395,801	-	395,801
			1,085,121	-	1,085,121
			197,553	-	197,553
			1,521,748	-	1,521,748
			8,429,140	-	8,429,140
			21,714	46	21,760
			500	-	500
			16,804,591	46	16,804,637
			2,868,598	(9,675)	2,858,923
			9,343,211	51,984	9,395,195
			\$ 12,211,809	\$ 42,309	\$ 12,254,118

**Ballard Community School District**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 4,186,368	\$ 736,810	\$ 101,722	\$ 763,273	\$ 5,788,173
Restricted cash and investments	-	1,863,211	-	-	1,863,211
Receivables:					
Property tax:					
Current year	29,083	2,056	5,654	1,874	38,667
Succeeding year	4,755,127	415,124	1,081,543	600,000	6,851,794
Income surcharge tax	-	174,043	-	-	174,043
Accounts	7,920	309,390	-	25,338	342,648
Other	398,895	-	-	-	398,895
<b>Total assets</b>	<b>\$ 9,377,393</b>	<b>\$ 3,500,634</b>	<b>\$ 1,188,919</b>	<b>\$ 1,390,485</b>	<b>\$ 15,457,431</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 145,050	\$ 26,113	\$ -	\$ 18,739	\$ 189,902
Salaries and benefits payable	1,642,764	-	-	-	1,642,764
<b>Total liabilities</b>	<b>1,787,814</b>	<b>26,113</b>	<b>-</b>	<b>18,739</b>	<b>1,832,666</b>
Deferred inflows of resources,					
Unavailable revenue:					
Succeeding year property tax	4,755,127	415,124	1,081,543	600,000	6,851,794
Income surcharge tax	-	174,043	-	-	174,043
Sales, services and use tax	-	74,000	-	-	74,000
Grants	21,714	-	-	-	21,714
<b>Total deferred inflows of resources</b>	<b>4,776,841</b>	<b>663,167</b>	<b>1,081,543</b>	<b>600,000</b>	<b>7,121,551</b>
Fund balances:					
Restricted for:					
Categorical funding	298,172	-	-	-	298,172
Other curriculum programs	29,756	-	-	-	29,756
Management levy	-	-	-	537,924	537,924
Physical plant and equipment levy	-	89,373	-	-	89,373
Student activities	-	-	-	233,822	233,822
School infrastructure	-	2,721,981	-	-	2,721,981
Debt service	-	-	107,376	-	107,376
Unassigned	2,484,810	-	-	-	2,484,810
<b>Total fund balances</b>	<b>2,812,738</b>	<b>2,811,354</b>	<b>107,376</b>	<b>771,746</b>	<b>6,503,214</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,377,393</b>	<b>\$ 3,500,634</b>	<b>\$ 1,188,919</b>	<b>\$ 1,390,485</b>	<b>\$ 15,457,431</b>

See Notes to Financial Statements.

## Ballard Community School District

### Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2015

---

Total fund balances of governmental funds \$ 6,503,214

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

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

Income surcharge tax	174,043	
Statewide sales, services and use tax	74,000	
Grants	21,714	269,757

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

34,394,443

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

282,373

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources	1,114,740	
Deferred inflows of resources	(2,559,928)	(1,445,188)

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

(264,962)

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

Net pension liability	(5,324,555)	
Compensated absences	(34,851)	
Capital loan notes	(635,000)	
General obligation bonds	(11,475,000)	
Revenue bonds	(9,770,000)	
Net OPEB liability	(288,422)	(27,527,828)

**Net position of governmental activities**

**\$ 12,211,809**

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2015**

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,850,990	\$ 575,435	\$ 1,085,121	\$ 302,024	\$ 6,813,570
Tuition	1,019,949	-	-	-	1,019,949
Other	346,580	8,597	2,058	478,216	835,451
State sources	10,554,140	1,516,921	5,974	2,039	12,079,074
Federal sources	317,743	-	-	-	317,743
<b>Total revenues</b>	<b>17,089,402</b>	<b>2,100,953</b>	<b>1,093,153</b>	<b>782,279</b>	<b>21,065,787</b>
Expenditures:					
Current:					
Instruction	10,424,178	-	-	521,809	10,945,987
Support services:					
Student services	486,550	-	-	-	486,550
Instructional staff services	478,769	81,560	5,000	10,232	575,561
Administration services	1,476,004	649,382	-	7,957	2,133,343
Operation and maintenance of plant services	1,400,171	129,415	-	190,903	1,720,489
Transportation services	637,432	-	-	43,939	681,371
	<b>4,478,926</b>	<b>860,357</b>	<b>5,000</b>	<b>253,031</b>	<b>5,597,314</b>
Other expenditures:					
Facilities acquisition	-	9,556	-	-	9,556
Principal on long-term debt	-	-	1,415,000	-	1,415,000
Interest on long-term debt	-	-	952,011	-	952,011
AEA flowthrough	633,788	-	-	-	633,788
	<b>633,788</b>	<b>9,556</b>	<b>2,367,011</b>	<b>-</b>	<b>3,010,355</b>
<b>Total expenditures</b>	<b>15,536,892</b>	<b>869,913</b>	<b>2,372,011</b>	<b>774,840</b>	<b>19,553,656</b>
<b>Excess (deficiency) of revenues under (over) expenditures</b>	<b>1,552,510</b>	<b>1,231,040</b>	<b>(1,278,858)</b>	<b>7,439</b>	<b>1,512,131</b>
Other financing sources (uses):					
Sale of capital assets	500	-	-	-	500
Interfund transfers in	-	5,727	1,281,632	-	1,287,359
Interfund transfers out	-	(1,281,632)	-	(5,727)	(1,287,359)
<b>Total other financing sources (uses)</b>	<b>500</b>	<b>(1,275,905)</b>	<b>1,281,632</b>	<b>(5,727)</b>	<b>500</b>
<b>Net change in fund balance</b>	<b>1,553,010</b>	<b>(44,865)</b>	<b>2,774</b>	<b>1,712</b>	<b>1,512,631</b>
Fund balances, beginning of year	1,259,728	2,856,219	104,602	770,034	4,990,583
Fund balances, end of year	\$ 2,812,738	\$ 2,811,354	\$ 107,376	\$ 771,746	\$ 6,503,214

See Notes to Financial Statements.

**Ballard Community School District**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015**

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Net change in fund balances - total governmental funds \$ 1,512,631

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

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

Expenditures for capital assets	\$ 549,651	
Depreciation expense	(1,128,837)	
Proceeds on sale of property and equipment	(500)	
Gain on sale of property and equipment	500	
		(579,186)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues. 46,633

The decrease in net position of the Internal Service Fund represents an undercharge to the governmental funds and is incorporated into the change in net position of governmental activities. (12,396)

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

Repayment of long-term debt 1,415,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 19,870

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 37,361

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.

Pension expense	509,656	
Change in early retirement	39,381	
Change in compensated absences	(7,034)	
Change in Net OPEB liability	(113,318)	
		428,685

**Change in net position of governmental activities \$ 2,868,598**

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2015**

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	Enterprise Fund	
	School Nutrition	Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 65,556	\$ 283,808
Accounts receivable	-	73
Inventories	8,395	-
Capital assets, net of accumulated depreciation	8,395	-
<b>Total assets</b>	<b>82,346</b>	<b>283,881</b>
<b>Liabilities</b>		
Accounts payable	22,328	-
Claims incurred but not reported	-	1,508
Unearned revenue, other	17,709	-
<b>Total liabilities</b>	<b>40,037</b>	<b>1,508</b>
<b>Net Position</b>		
Net investment in capital assets	8,395	-
Unrestricted	33,914	282,373
<b>Total net position</b>	<b>\$ 42,309</b>	<b>\$ 282,373</b>

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Revenues, Expenses and Changes in Net Position**

**Proprietary Funds**

**Year Ended June 30, 2015**

	Enterprise Fund	
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources, charges for services	\$ 453,901	\$ 118,935
Operating expenses:		
Noninstructional programs:		
Benefits	-	131,394
Purchased services	341,320	1,290
Supplies	362,239	-
Depreciation	2,775	-
<b>Total operating expenses</b>	<b>706,334</b>	<b>132,684</b>
<b>Operating income (loss)</b>	<b>(252,433)</b>	<b>(13,749)</b>
Nonoperating revenues:		
Interest on investments	46	1,353
State sources	6,145	-
Federal sources	236,567	-
<b>Total nonoperating revenues</b>	<b>242,758</b>	<b>1,353</b>
<b>Change in net position</b>	<b>(9,675)</b>	<b>(12,396)</b>
Net position, beginning of year	51,984	294,769
Net position, end of year	\$ 42,309	\$ 282,373

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2015**

	Enterprise Fund		Internal
	School Nutrition		Service Fund
Cash flows from operating activities:			
Cash received from sale of services	\$ 511,630	\$	118,862
Cash payments for claims	-		(133,286)
Cash payments to suppliers for goods or services	(647,608)		(1,290)
<b>Net cash (used in) operating activities</b>	<b>(135,978)</b>		<b>(15,714)</b>
Cash flows from noncapital financing activities:			
Payment to other funds	(5,000)		-
State grants received	6,145		-
Federal grants received	199,687		-
<b>Net cash provided by noncapital financing activities</b>	<b>200,832</b>		<b>-</b>
Cash flows from investing activities, interest on investments	46		1,353
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>64,900</b>		<b>(14,361)</b>
Cash and cash equivalents, beginning of year	656		298,169
Cash and cash equivalents, end of year	<u>\$ 65,556</u>	<u>\$</u>	<u>283,808</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	\$ (252,433)	\$	(13,749)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Depreciation	2,775		-
Commodities used	36,880		-
Increase in inventories	(3,257)		-
Decrease (increase) in accounts receivable	56,519		(73)
(Decrease) in claims incurred but not reported	-		(1,892)
Increase in accounts payable	22,328		-
Increase in unearned revenue	1,210		-
<b>Net cash (used in) operating activities</b>	<b>\$ (135,978)</b>	<b>\$</b>	<b>(15,714)</b>

Noncash: Noncapital financing activities:

During the year ended June 30, 2015, the District used \$36,880 of federal commodities.

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2015**

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	Private-Purpose Trust	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 2,000	\$ 3,800
<b>Liabilities</b>		
Accounts payable	-	\$ 3,800
<b>Net position</b> , restricted for scholarship	<u>\$ 2,000</u>	

See Notes to Financial Statements.

**Ballard Community School District**

**Statement of Changes in Fiduciary Net Position**

**Fiduciary Funds**

**Year Ended June 30, 2015**

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	Private-Purpose Trust
<b>Additions:</b>	
Local sources	\$ 2,000
<b>Deductions:</b>	
Instruction, scholarships awarded	-
<b>Change in net position</b>	2,000
<b>Net position, beginning of year</b>	-
<b>Net position, end of year</b>	\$ 2,000

See Notes to Financial Statements.

## Ballard Community School District

### Notes to Basic Financial Statements

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

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

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

#### Reporting entity:

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

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

#### Basis of presentation:

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

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

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

#### Measurement focus and basis of accounting:

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Assets, liabilities and fund equity:

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

**Ballard Community School District**

**Notes to Basic Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Asset Class	Amount
Land	\$ 1
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

Compensated absences: District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and by the Special Revenue Fund, Management Levy.

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note. 1 Summary of Significant Accounting Policies (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

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

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

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District's deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources in the government-wide statements consists of succeeding year property tax revenue and the unamortized portion of the net difference between projected and actual earnings on pension plan investments. The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax, income surcharge tax, and property tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted by enabling legislation as of June 30, 2015 consists of \$298,172 for categorical funding, \$537,924 for management levy purposes, \$263,416 for physical plant and equipment levy, \$1,618,536 for school infrastructure, and \$107,376 for debt service. Net position restricted by contributors for student activities was \$233,822 and by other grantors for curriculum was \$29,756.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

#### **Budgets and budgetary control:**

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

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

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits. The District's deposits in banks as of June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

As of June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,865,258 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
Debt Service Fund	Capital Projects Fund	\$ 1,281,632
Capital Projects Fund	Nonmajor, Student Activity Fund	5,727
		<u>\$ 1,287,359</u>

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

**Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 791,512	\$ -	\$ -	\$ 791,512
Construction in progress	10,000	-	-	10,000
<b>Total capital assets not being depreciated</b>	<u>801,512</u>	<u>-</u>	<u>-</u>	<u>801,512</u>
Capital assets being depreciated:				
Buildings	41,079,590	308,810	-	41,388,400
Improvements other than buildings	1,847,876	-	-	1,847,876
Furniture and equipment	2,834,219	240,841	44,749	3,030,311
<b>Total capital assets being depreciated</b>	<u>45,761,685</u>	<u>549,651</u>	<u>44,749</u>	<u>46,266,587</u>
Less accumulated depreciation for:				
Buildings	8,249,855	884,052	-	9,133,907
Improvements other than buildings	1,396,207	55,043	-	1,451,250
Furniture and equipment	1,943,506	189,742	44,749	2,088,499
<b>Total accumulated depreciation</b>	<u>11,589,568</u>	<u>1,128,837</u>	<u>44,749</u>	<u>12,673,656</u>
<b>Total capital assets being depreciated, net</b>	<u>34,172,117</u>	<u>(579,186)</u>	<u>-</u>	<u>33,592,931</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 34,973,629</u>	<u>\$ (579,186)</u>	<u>\$ -</u>	<u>\$ 34,394,443</u>
Business-type activities:				
Furniture and equipment	\$ 33,884	\$ -	\$ 575	\$ 33,309
Less accumulated depreciation	22,714	2,775	575	24,914
<b>Business-type activities capital assets, net</b>	<u>\$ 11,170</u>	<u>\$ (2,775)</u>	<u>\$ -</u>	<u>\$ 8,395</u>

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 4. Capital Assets (Continued)**

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

Governmental activities:	
Unallocated depreciation	<u>\$ 1,128,837</u>
Business-type activities, food service operations	<u>\$ 2,775</u>

**Note 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 39,381	\$ -	\$ 39,381	\$ -	\$ -
Compensated absences	27,817	34,851	27,817	34,851	34,851
Net OPEB liability	175,104	131,717	18,399	288,422	-
General obligation bonds	12,080,000	-	605,000	11,475,000	625,000
Capital loan notes	945,000	-	310,000	635,000	315,000
Revenue bonds	10,270,000	-	500,000	9,770,000	460,000
<b>Total</b>	<u>\$ 23,537,302</u>	<u>\$ 166,568</u>	<u>\$ 1,500,597</u>	<u>\$ 22,203,273</u>	<u>\$ 1,434,851</u>

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

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

As of June 30, 2015, the District had no obligations to participants. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$39,381. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements. The early retirement liability is paid primarily from the Management Fund.

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 5. Long-Term Liabilities (Continued)**

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

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

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

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

Year Ending June 30	Bond Issue of November 24, 2009			Bond Issue of October 1, 2010			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2016	4.00	400,000	352,305	2.00	225,000	103,238	1,080,543
2017	4.00	425,000	336,305	2.50	225,000	98,738	1,085,043
2018	4.00	450,000	319,305	2.50	230,000	93,113	1,092,418
2019	4.00	475,000	301,305	2.60	230,000	87,363	1,093,668
2020-2024	3.90-4.25	2,810,000	1,199,313	2.75-3.15	1,155,000	342,398	5,506,711
2025-2029	4.35-5.00	3,575,000	526,254	3.25-4.00	1,275,000	152,120	5,528,374
		<u>8,135,000</u>	<u>3,034,787</u>		<u>3,340,000</u>	<u>876,969</u>	<u>15,386,755</u>

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

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

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

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 5. Long-Term Liabilities (Continued)**

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

Year Ending June 30	Capital Loan Note of June 7, 2011			Capital Loan Note of July 11, 2011			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2016	2.00	240,000	10,312	2.40	75,000	3,563	328,875
2017	2.25	245,000	5,512	2.40	75,000	1,782	327,294
		<u>485,000</u>	<u>15,824</u>		<u>150,000</u>	<u>5,345</u>	<u>656,169</u>

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

Year Ending June 30	Revenue Bonds Issuance December 1, 2009				Total
	Interest Rate	Principal	Interest		
2016	3.50%	\$ 460,000	\$ 443,638	\$ 903,638	
2017	4.00	475,000	426,088	901,088	
2018	4.00	490,000	406,788	896,788	
2019	4.00	510,000	386,788	896,788	
2020-2024	4.00-5.00	2,895,000	1,587,619	4,482,619	
2025-2029	5.00	3,625,000	798,875	4,423,875	
2030	5.00	1,315,000	44,625	1,359,625	
		<u>\$ 9,770,000</u>	<u>\$ 4,094,420</u>	<u>\$ 13,864,420</u>	

## Ballard Community School District

### Notes to Basic Financial Statements

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#### **Note 5. Long-Term Liabilities (Continued)**

The District has pledged future statewide sales, services and use tax revenues to repay the \$12,300,000 bonds issued in December 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the revenue bonds is \$13,864,420. For the current year, \$2,367,011 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,514,748.

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

- a. \$1,177,445 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if sufficient money is not available in the sinking account. The balance of the proceeds shall be deposited to the project account. The required reserve account had a balance of \$1,177,445 on June 30, 2015.
- b. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c. Monies in the revenue account shall be disbursed to make deposits into a sinking fund account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The sinking fund account had a balance of \$685,766 on June 30, 2015.
- d. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### **Note 6. Other Postemployment Benefits (OPEB)**

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

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

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

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

**Ballard Community School District**

**Notes to Basic Financial Statements**

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 131,539
Interest on net OPEB obligation	4,378
Adjustment to annual required contribution	4,200
Annual OPEB cost	<u>131,717</u>
Contributions made	<u>(18,399)</u>
Increase in net OPEB obligation	113,318
Net OPEB obligation beginning of year	175,104
Net OPEB obligation end of year	<u><u>\$ 288,422</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 171,116	40.0%	\$ 70,940
June 30, 2014	148,419	29.8%	175,104
June 30, 2015	131,717	14.0%	288,422

Funded status and funding progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$703,258 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$703,258. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,204,000 and the ratio of the UAAL to covered payroll was 7.64 percent. As of June 30, 2015, there were no trust fund assets.

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

## Ballard Community School District

### Notes to Basic Financial Statements

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

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

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

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

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

#### **Note 7. Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 7. Pension Plan (Continued)

reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The Actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$821,877.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$5,324,555 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was .00131565 percent, which was a decrease of .00011517 from its proportion measured as of June 30, 2013.

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 7. Pension Plan (Continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$274,870. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,868	\$ -
Changes of assumptions	234,985	-
Net difference between projected and actual earnings on pension plan investments	-	2,030,632
Changes in proportion and differences between District contributions and proportionate share of contributions	-	529,296
District contributions subsequent to the measurement date	821,887	-
Total	<u>\$ 1,114,740</u>	<u>\$ 2,559,928</u>

\$821,887 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30, 2015

2016	\$ (562,902)
2017	(562,902)
2018	(562,902)
2019	(562,902)
2020	(15,468)
Total	<u>\$ (2,267,075)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary Increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**Ballard Community School District**

**Notes to Basic Financial Statements**

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**Note 7. Pension Plan (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15%	6.76%
Private Equity	13%	11.34%
Real Estate	8%	3.52%
Core Plus Fixed Income	28%	2.06%
Credit Opportunities	5%	3.67%
TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	-0.69%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

**Ballard Community School District**

**Notes to Basic Financial Statements**

**Note 7. Pension Plan (Continued)**

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 10,060,597	\$ 5,324,555	\$ 1,326,845

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2015, the District reported payables to the defined benefit pension plan of \$110,660 for legally required employer contributions and \$73,732 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Risk Management**

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

The District is partially self-funded only for individuals electing the individual \$500 deductible health plan. For this plan, the District funds claims between the individual \$500 deductible and the \$1,500 deductible plan with the insurance company. Payments are made to the plan based on amounts needed to pay prior and current year claims. Changes in the claims liability amounts for the years ended June 30, 2015 and 2014 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2014	\$ 3,207	\$ 20,310	\$ 20,117	\$ 3,400
2015	3,400	23,799	25,691	1,508

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$633,788 for the year ended June 30, 2015 and is recorded in the General Fund.

**Ballard Community School District**

**Notes to Basic Financial Statements**

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**Note 10. Categorical Funding**

The District's fund balance restricted for categorical funding as of June 30, 2015 is comprised of the following programs:

Program	Amount
Home school assistance	\$ 90,110
Dropout prevention	41,959
Preschool State Aid	53,900
Beginning teacher mentoring	504
Teacher salary supplement	6,748
Successful progression for early readers	11,784
Professional development for model core	62,853
Professional development	25,429
Teacher leadership	4,885
<b>Total</b>	<u><u>\$ 298,172</u></u>

**Note 11. Governmental Accounting Standards Board (GASB) Statements**

The District adopted the following statements during the year ended June 30, 2015:

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

## Ballard Community School District

### Notes to Basic Financial Statements

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

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

The implementation of the above statements did not have a material impact to the District's financial statements except for GASB Statement No. 68 and No. 71 which required the District to change the accounting and reporting of pension expense, net pension liability, and the related deferred inflows of resources and deferred outflows of resources. As a result, the District's financial statements required a restatement as stated in Note 12. In addition, the new standards required new required supplementary information schedules.

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

## Ballard Community School District

### Notes to Basic Financial Statements

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

## Ballard Community School District

### Notes to Basic Financial Statements

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#### Note 12. Accounting Change and Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB No. 27*, was implemented during fiscal year 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, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
Net position June 30, 2014, as previously reported	\$ 16,659,971
Net pension liability at June 30, 2014	(8,101,286)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	784,526
Net position July 1, 2014, as restated	<u>\$ 9,343,211</u>

#### Note 13. Subsequent Event

On August 10, 2015, the Board of Education authorized the sale of approximately \$9,525,000 of School Infrastructure Sales, Services and Use Tax Refunding Bonds, Series 2015 to refund the School Infrastructure Sales, Services and Use Tax Revenue and Refunding Bonds, Series 2009.

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**Ballard Community School District**

**Required Supplementary Information  
Schedule of Funding Progress for the Retiree Health Plan  
Year Ended June 30, 2015**

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Year Ended June 30:	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	-	660,000	660,000	0.00%	8,391,000	7.87%
2011	7/1/2009	-	608,267	608,267	0.00%	8,498,000	7.16%
2012	7/1/2009	-	608,267	608,267	0.00%	9,065,000	6.71%
2013	7/1/2012	-	739,192	739,192	0.00%	9,629,000	7.68%
2014	7/1/2012	-	703,258	703,258	0.00%	8,785,000	8.01%
2015	7/1/2012	-	703,258	703,258	0.00%	9,204,000	7.64%

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

**Ballard Community School District**

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Enterprise Fund  
Required Supplementary Information  
Year Ended June 30, 2015**

	Governmental Funds - Actual	Enterprise Fund - Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 8,668,970	\$ 453,947	\$ 9,122,917
State sources	12,079,074	6,145	12,085,219
Federal sources	317,743	236,567	554,310
<b>Total revenues</b>	<b>21,065,787</b>	<b>696,659</b>	<b>21,762,446</b>
<b>Expenditures/expenses:</b>			
Instruction	10,945,987	-	10,945,987
Support services	5,597,314	-	5,597,314
Noninstructional programs	-	706,334	706,334
Other expenditures	3,010,355	-	3,010,355
<b>Total expenditures/expenses</b>	<b>19,553,656</b>	<b>706,334</b>	<b>20,259,990</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>1,512,131</b>	<b>(9,675)</b>	<b>1,502,456</b>
<b>Other financing sources (uses):</b>			
Proceeds from disposal of property	500	-	500
Interfund transfers in	1,287,359	-	1,287,359
Interfund transfers out	(1,287,359)	-	(1,287,359)
<b>Total other financing sources (uses)</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>Net change in fund balance</b>	<b>1,512,631</b>	<b>(9,675)</b>	<b>1,502,956</b>
Balance, beginning of year	4,990,583	51,984	5,042,567
Balance, end of year	<b>\$ 6,503,214</b>	<b>\$ 42,309</b>	<b>\$ 6,545,523</b>

See Notes to Required Supplementary Information.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 10,392,627	\$ 10,392,627	\$ (1,269,710)
10,838,863	10,838,863	1,246,356
534,416	534,416	19,894
<u>21,765,906</u>	<u>21,765,906</u>	<u>(3,460)</u>
10,860,630	11,250,000	304,013
6,002,637	6,250,000	652,686
780,000	850,000	143,666
3,241,679	3,241,679	231,324
<u>20,884,946</u>	<u>21,591,679</u>	<u>1,331,689</u>
880,960	174,227	1,328,229
-	-	500
1,231,829	1,231,829	55,530
<u>(1,231,829)</u>	<u>(1,231,829)</u>	<u>(55,530)</u>
-	-	500
880,960	174,227	1,328,729
5,526,045	5,526,045	(483,478)
<u>\$ 6,407,005</u>	<u>\$ 5,700,272</u>	<u>\$ 845,251</u>

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**Ballard Community School District**

**Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\***

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	<u>2015</u>
District's proportion of the net pension liability	0.131565%
District's proportionate share of the net pension liability	\$ 5,324,555
District's covered-employee payroll	\$ 9,203,667
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.85%
Plan fiduciary net pension as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

**Note 1:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Supplementary Information.

**Ballard Community School District**

**Required Supplementary Information  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Years**

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	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 830	\$ 785	\$ 802	\$ 731	\$ 575
Contributions in relation to the statutorily required contribution	\$ (830)	\$ (785)	\$ (802)	\$ (731)	\$ (575)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,204	\$ 8,785	\$ 9,629	\$ 9,065	\$ 8,498
Contributions as a percentage of covered-employee payroll	9.02%	8.93%	8.33%	8.06%	6.77%

See Notes to Required Supplementary Information.

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2010	2009	2008	2007	2006
\$ 546	\$ 484	\$ 406	\$ 360	\$ 332
\$ (546)	\$ (484)	\$ (406)	\$ (360)	\$ (332)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,211	\$ 7,622	\$ 6,711	\$ 6,261	\$ 5,776
6.65%	6.35%	6.04%	5.75%	5.74%

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## Ballard Community School District

### Notes to Required Supplementary Information

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#### **Note 1. Budgets and Budgetary Information**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$706,733.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

#### **Note 2. Pension Liability**

Changes of benefit terms: Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65. In 2008, legislative action transferred four groups – emergency medical service providers, county jailors, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

## Ballard Community School District

### Notes to Required Supplementary Information

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#### Note 2. Pension Liability (Continued)

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year leg between the valuation date and the effective date of the annual actuarial contribution rate. The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Ballard Community School District**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

	Special Revenue		Total
	Management Levy	Student Activity	
<b>Assets</b>			
Cash and pooled investments	\$ 511,247	\$ 252,026	\$ 763,273
Receivables:			
Property tax:			
Current year	1,874	-	1,874
Succeeding year	600,000	-	600,000
Accounts	24,803	535	25,338
<b>Total assets</b>	<b>\$ 1,137,924</b>	<b>\$ 252,561</b>	<b>\$ 1,390,485</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities, accounts payable	\$ -	\$ 18,739	\$ 18,739
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	600,000	-	600,000
Fund balances, restricted	537,924	233,822	771,746
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,137,924</b>	<b>\$ 252,561</b>	<b>\$ 1,390,485</b>

**Ballard Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 302,024	\$ -	\$ 302,024
Other	25,076	453,140	478,216
State sources	2,039	-	2,039
<b>Total revenues</b>	<b>329,139</b>	<b>453,140</b>	<b>782,279</b>
Expenditures:			
Current:			
Instruction	78,179	443,630	521,809
Support services:			
Instructional staff services	9,016	1,216	10,232
Administration services	7,957	-	7,957
Operating and maintenance of plant services	190,903	-	190,903
Transportation services	43,939	-	43,939
<b>Total expenditures</b>	<b>329,994</b>	<b>444,846</b>	<b>774,840</b>
Other financing sources (uses),			
Transfers out	-	(5,727)	(5,727)
<b>Net change in fund balances</b>	<b>(855)</b>	<b>2,567</b>	<b>1,712</b>
Fund balances, beginning of year	538,779	231,255	770,034
Fund balances, end of year	\$ 537,924	\$ 233,822	\$ 771,746

**Ballard Community School District**

**Schedule of Combining Balance Sheet  
Capital Project Fund - By Account  
June 30, 2015**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 633,644	\$ 103,166	\$ 736,810
Restricted cash and investments	1,863,211	-	1,863,211
Receivables:			
Property tax:			
Current year	-	2,056	2,056
Succeeding year	-	415,124	415,124
Income surcharge tax	-	174,043	174,043
Accounts	309,390	-	309,390
<b>Total assets</b>	<b>\$ 2,806,245</b>	<b>\$ 694,389</b>	<b>\$ 3,500,634</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities, accounts payable	\$ 10,264	\$ 15,849	\$ 26,113
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	-	415,124	415,124
Income surcharge tax	-	174,043	174,043
Statewide sales, services and use tax	74,000	-	74,000
<b>Total deferred inflows of resources</b>	<b>74,000</b>	<b>589,167</b>	<b>663,167</b>
Fund Balances:			
Restricted for:			
School infrastructure	2,721,981	-	2,721,981
Physical plant and equipment	-	89,373	89,373
<b>Total fund balances</b>	<b>2,721,981</b>	<b>89,373</b>	<b>2,811,354</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,806,245</b>	<b>\$ 694,389</b>	<b>\$ 3,500,634</b>

**Ballard Community School District**

**Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Fund - By Account  
Year Ended June 30, 2015**

	Capital Projects Accounts		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 575,435	\$ 575,435
Other	2,635	5,962	8,597
State sources	1,514,748	2,173	1,516,921
<b>Total revenues</b>	<b>1,517,383</b>	<b>583,570</b>	<b>2,100,953</b>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	81,560	81,560
Administration services	486,096	163,286	649,382
Operation and maintenance of plant services	121,835	7,580	129,415
Other expenditures, facilities acquisition	9,556	-	9,556
<b>Total expenditures</b>	<b>617,487</b>	<b>252,426</b>	<b>869,913</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>899,896</b>	<b>331,144</b>	<b>1,231,040</b>
Other financing sources (uses),			
Transfers in	656	5,071	5,727
Transfers out	(959,188)	(322,444)	(1,281,632)
	(958,532)	(317,373)	(1,275,905)
<b>Net change in fund balance</b>	<b>(58,636)</b>	<b>13,771</b>	<b>(44,865)</b>
Fund balance, beginning of year	2,780,617	75,602	2,856,219
Fund balance, end of year	\$ 2,721,981	\$ 89,373	\$ 2,811,354

**Ballard Community School District**

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year Ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures and Transfers Out	Balance End of Year
Drama/ Speech	\$ 2,225	\$ 8,633	\$ 6,805	\$ 4,053
Vocal Music	8,020	10,826	18,846	-
Middle School Vocal	6,225	12,038	9,822	8,441
West Elementary Vocal	20	400	253	167
Instrumental Music	39,694	129,291	125,628	43,357
Music Account	-	4,101	4,101	-
Elementary Band	3,549	3,925	2,796	4,678
East Elementary Vocal	31	404	222	213
Middle School Band	-	1,823	741	1,082
Dance Team	4,768	5,917	6,253	4,432
Yearbook	613	5,324	3,338	2,599
Elementary Activities	754	349	36	1,067
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	5,814	4,659	5,229	5,244
Cheer Team	2,862	18,737	21,599	-
High School Library Coffee Shop	451	626	423	654
Sci Club	-	500	-	500
Spanish Club	2,055	1	-	2,056
Game Changers	347	113	110	350
FFA	-	15,181	6,099	9,082
Writer's Club	-	341	332	9
Junior High Student Council	991	2,298	870	2,419
Senior High Student Council	4,112	11,152	11,517	3,747
National Honor Society	550	6,431	6,352	629
Conflict Managers	956	2,087	616	2,427
East Elementary Student Council	12,731	10,714	10,587	12,858
West Elementary Student Council	9,126	7,997	9,278	7,845
Class of 2015	4,041	569	4,375	235
Class of 2016	96	10,068	7,140	3,024
Class of 2017	109	161	45	225
Class of 2018	-	93	45	48
Class of 2019	-	-	-	-
Class of 2020	177	-	177	-
Class of 2021	595	-	595	-
Weight Program	1,481	-	-	1,481
Athletic Director	70,115	60,913	65,940	65,088
Boys Basketball	5,560	9,321	7,738	7,143
Football	10,131	21,482	28,184	3,429
Soccer	1,906	2,424	2,197	2,133
Baseball	1,519	4,667	3,327	2,859
Boys Track	2,331	8,153	8,223	2,261
Boys Tennis	821	71	71	821
Boys Golf	743	758	758	743
Wrestling	3,649	4,340	4,340	3,649
Girls Basketball	7,278	7,900	7,900	7,278
Volleyball	5,140	4,919	4,919	5,140
Girls Soccer	1,747	1,597	1,597	1,747
Girls Softball	3,262	4,573	4,618	3,217
Girls Track	2,483	11,009	10,665	2,827
Girls Tennis	1,536	20	20	1,536
Girls Golf	556	588	200	944
Concessions	-	35,646	35,646	-
Intrafund transfers	-	-	-	-
<b>Totals</b>	<b>\$ 231,255</b>	<b>\$ 453,140</b>	<b>\$ 450,573</b>	<b>\$ 233,822</b>

**Ballard Community School District**

**Schedule of Changes in Fiduciary Assets and Liabilities**

**Agency Fund**

**Year Ended June 30, 2015**

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	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 4,302	\$ 6,214	\$ 6,716	\$ 3,800
<b>Liabilities</b>				
Accounts payable	\$ 4,302	\$ 6,214	\$ 6,716	\$ 3,800

**Ballard Community School District**

**Schedule of Changes in Agency Fund by Account  
Year Ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>Account</b>				
Character Education Council	\$ -	\$ -	\$ -	-
Ballard Foundation	-	-	-	-
Wellness Team	266	3,147	3,219	194
GARP	1,597	-	-	1,597
East Elementary	703	1,367	1,643	427
Junior-Senior High	234	1,384	825	793
West Elementary	1,502	316	1,029	789
<b>Total</b>	<u>\$ 4,302</u>	<u>\$ 6,214</u>	<u>\$ 6,716</u>	<u>\$ 3,800</u>

**Ballard Community School District**

**Schedule of Revenues by Source and Expenditures by Function**

**All Governmental Funds - Modified Accrual Basis**

**Last Ten Years**

	Years Ended June 30:			
	2015	2014	2013	2012
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 6,813,570	\$ 6,422,547	\$ 7,556,219	\$ 7,525,676
Tuition	1,019,949	1,022,061	995,118	947,571
Other	835,451	704,479	651,908	736,983
State sources	12,079,074	11,250,360	9,442,018	9,395,275
Federal sources	317,743	298,423	214,268	502,440
<b>Total revenues</b>	<b>\$ 21,065,787</b>	<b>\$ 19,697,870</b>	<b>\$ 18,859,531</b>	<b>\$ 19,107,945</b>
<b>Expenditures:</b>				
Instruction	\$ 10,945,987	\$ 10,091,992	\$ 10,509,305	\$ 10,445,859
Support services:				
Student services	486,550	435,962	461,705	452,895
Instructional staff services	575,561	504,358	713,722	567,139
Administration services	2,133,343	1,716,062	1,575,133	1,751,222
Operation and maintenance of plant services	1,720,489	1,694,428	1,681,878	1,640,677
Transportation services	681,371	681,110	793,592	753,160
Noninstructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	9,556	71,881	306,940	3,628,808
Long-term debt:				
Principal	1,415,000	1,585,000	1,540,000	1,500,000
Interest and fiscal charges	952,011	991,607	1,031,725	1,066,844
AEA flowthrough	633,788	583,688	549,578	541,828
<b>Total expenditures</b>	<b>\$ 19,553,656</b>	<b>\$ 18,356,088</b>	<b>\$ 19,163,578</b>	<b>\$ 22,348,432</b>

							Years Ended June 30:					
2011		2010		2009		2008		2007		2006		
\$	7,117,650	\$	6,696,028	\$	5,891,714	\$	5,329,018	\$	4,879,386	\$	4,627,185	
	942,213		866,226		830,879		878,697		811,694		773,489	
	581,288		534,534		546,549		693,691		643,936		509,553	
	8,675,653		7,306,731		7,843,517		7,388,811		6,872,971		6,014,905	
	457,161		948,258		363,330		184,504		177,730		219,892	
\$	17,773,965	\$	16,351,777	\$	15,475,989	\$	14,474,721	\$	13,385,717	\$	12,145,024	
<hr/>												
\$	9,391,240	\$	8,896,018	\$	8,617,706	\$	7,884,661	\$	7,577,797	\$	7,030,787	
	425,010		392,979		432,881		363,167		298,544		364,469	
	793,267		530,874		600,766		505,584		389,501		594,030	
	1,650,802		1,397,948		1,300,294		1,454,255		1,310,795		1,103,129	
	1,116,783		1,081,806		1,102,680		1,040,844		983,383		1,070,935	
	617,300		662,198		557,309		577,067		537,001		622,261	
	-		2,951		3,091		4,730		2,776		5,224	
	13,608,332		8,734,116		2,217,070		766,441		177,431		1,767,109	
	655,000		5,900,000		1,000,000		2,120,000		375,000		1,160,000	
	1,078,398		364,160		209,768		242,930		260,743		303,280	
	573,796		554,040		485,745		442,195		407,705		362,333	
\$	29,909,928	\$	28,517,090	\$	16,527,310	\$	15,401,874	\$	12,320,676	\$	14,383,557	

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ballard Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 2, 2016. Our report included an emphasis of matter paragraph for the implementation of Governmental Accounting Standard Board Statement No. 68.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2015-001 through 2015-003 to be material weaknesses.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about Ballard Community School District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

## **Purpose of This Report**

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

*Bohnsack & Frommelt LLP*

Taylor Ridge, Illinois  
February 2, 2016

**Ballard Community School District**

**Schedule of Findings and Responses  
Year Ended June 30, 2015**

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

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

**2015-001**

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

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

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

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

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

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

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

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

**Ballard Community School District**

**Schedule of Findings and Responses  
Year Ended June 30, 2015**

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**2015-002**

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

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

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

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

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

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

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

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

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

**Ballard Community School District**

**Schedule of Findings and Responses  
Year Ended June 30, 2015**

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**2015-003**

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

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

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

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

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

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

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

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

**Ballard Community School District**

**Schedule of Findings and Responses  
Year Ended June 30, 2015**

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

**II-A-15**

Certified Budget – Expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted at year-end.

**II-B-15**

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

**II-C-15**

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-15**

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

**II-E-15**

Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**II-F-15**

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

**II-G-15**

Certified Enrollment:

Finding: The Department of Management identified variances in the certified enrollment certified to the state in October 2014.

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

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

Conclusion: Response accepted.

**II-H-15**

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

**Ballard Community School District**

**Schedule of Findings and Responses  
Year Ended June 30, 2015**

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**II-I-15**

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

**II-J-15**

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

**II-K-15**

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

**II-L-15**

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales and services tax revenue:

Beginning balance	\$ 2,780,617
Revenue / transfers in:	
Statewide sales and services tax revenue	1,514,748
Transfers in/other	3,291
Expenditures/transfers out:	
Transfers out	959,188
Capital outlay for facilities and property and equipment	617,487
Ending balance	<u>\$ 2,721,981</u>

For the year ended June 30, 2015, the District did not reduce tax levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.