

BEDFORD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Bedford Community School District

Officials

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

**BEDFORD COMMUNITY  
SCHOOL DISTRICT**

**Home of the Bulldogs**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

### **Emphasis of Matter**

As discussed in Note 16 to the financial statements, Bedford Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2016 on our consideration of Bedford Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bedford Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2016  
Newton, Iowa

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

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

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,303,408 in fiscal 2014 to \$5,274,948 in fiscal 2015, while General Fund expenditures decreased from \$5,401,751 in fiscal 2014 to \$5,144,620 in fiscal 2015. This resulted in an increase in the District's General Fund balance from \$439,440 at June 30, 2014 to a balance of \$569,768 at June 30, 2015, a 29.66% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state and federal sources of revenue in fiscal 2015. The decrease in expenditures was due mainly in part to decreased spending in the support services functional area.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

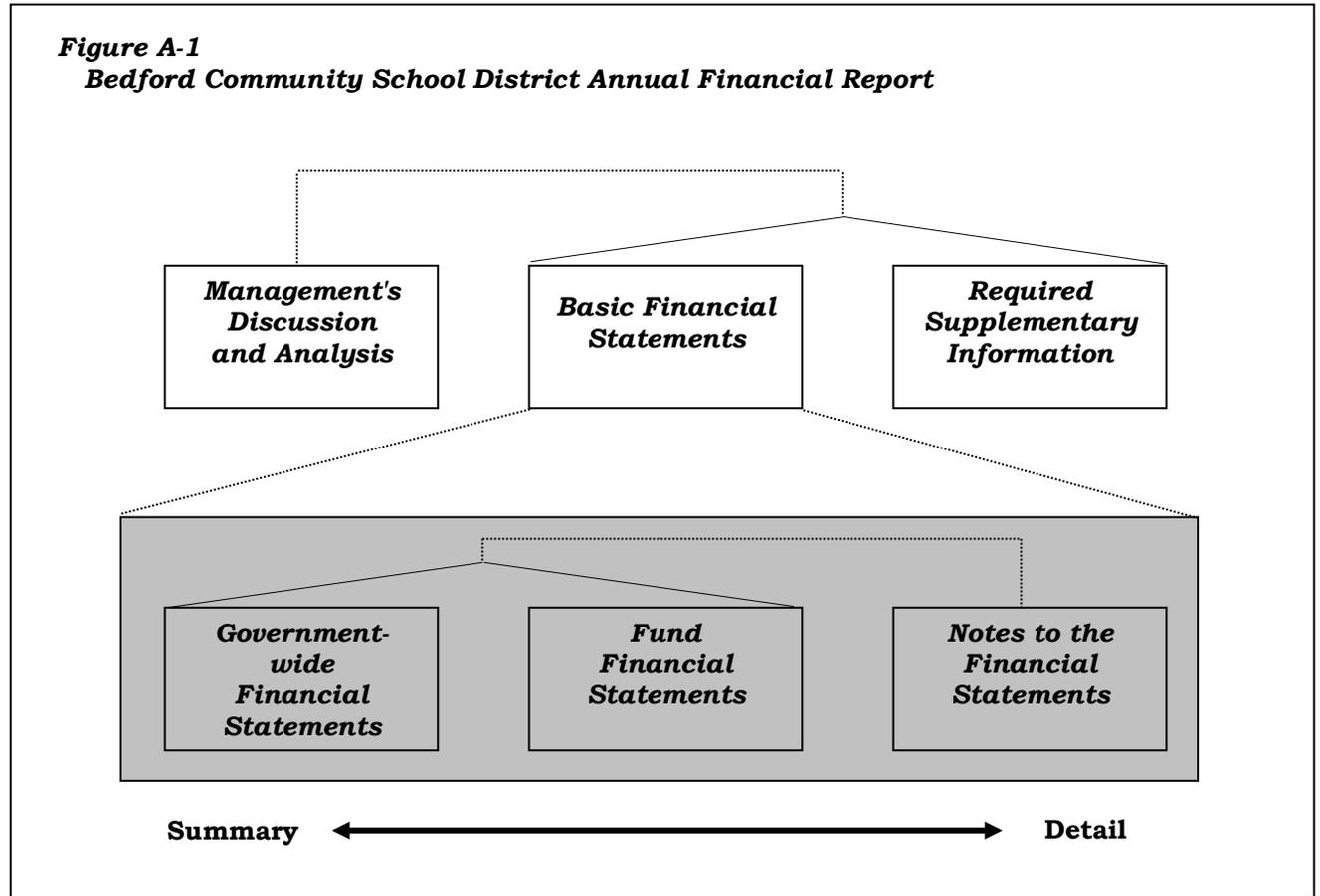


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund and the Private Purpose Trust Fund.
  - Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 8,404,787	4,250,990	39,948	40,091	8,444,735	4,291,081	96.80%
Capital assets	6,025,999	4,755,452	7,285	6,758	6,033,284	4,762,210	26.69%
Total assets	14,430,786	9,006,442	47,233	46,849	14,478,019	9,053,291	59.92%
Deferred outflows of resources	395,350	-	10,587	-	405,937	-	100.00%
Long-term liabilities	6,105,461	74,057	52,457	871	6,157,918	74,928	8118.45%
Other liabilities	1,347,242	645,259	19,456	20,330	1,366,698	665,589	105.34%
Total liabilities	7,452,703	719,316	71,913	21,201	7,524,616	740,517	916.13%
Deferred inflows of resources	3,174,250	2,136,243	22,405	-	3,196,655	2,136,243	49.64%
Net position:							
Net investment in capital assets	4,683,973	4,755,452	7,285	6,758	4,691,258	4,762,210	-1.49%
Restricted	1,375,018	928,382	-	-	1,375,018	928,382	48.11%
Unrestricted	(1,859,808)	467,049	(43,783)	18,890	(1,903,591)	485,939	-491.73%
Total net position	\$ 4,199,183	6,150,883	(36,498)	25,648	4,162,685	6,176,531	-32.60%

The District's combined net position decreased by 32.60%, or \$2,013,846 compared to the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$446,636, or 48.11% from the prior year. The increase in restricted net position is due in part to the increase in fund balance for the Capital Projects Accounts balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$2,389,530 or 491.73%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,601,908 and \$68,085, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 443,993	482,203	100,576	101,418	544,569	583,621	-6.69%	
Operating grants, contributions and restricted interest	511,423	524,865	166,405	160,473	677,828	685,338	-1.10%	
Capital grants, contributions and restricted interest	31,557	50,643	-	-	31,557	50,643	-37.69%	
General revenues:								
Property tax	2,153,856	1,991,349	-	-	2,153,856	1,991,349	8.16%	
Income surtax	204,986	206,977	-	-	204,986	206,977	-0.96%	
Statewide sales, services and use tax	441,908	436,618	-	-	441,908	436,618	1.21%	
Unrestricted state grants	2,395,978	2,492,517	-	-	2,395,978	2,492,517	-3.87%	
Unrestricted investment earnings	4,603	327	20	-	4,623	327	1313.76%	
Other	34,649	36,575	1,204	636	35,853	37,211	-3.65%	
Total revenues	6,222,953	6,222,074	268,205	262,527	6,491,158	6,484,601	0.10%	
Program expenses:								
Instructional	3,441,547	3,713,763	-	-	3,441,547	3,713,763	-7.33%	
Support services	1,719,688	2,020,022	4,721	194	1,724,409	2,020,216	-14.64%	
Non-instructional programs	-	-	257,549	259,387	257,549	259,387	-0.71%	
Other expenses	437,643	446,917	-	-	437,643	446,917	-2.08%	
Total expenses	5,598,878	6,180,702	262,270	259,581	5,861,148	6,440,283	-8.99%	
Change in net position before extraordinary items	624,075	41,372	5,935	2,946	630,010	44,318	-1321.57%	
Extraordinary items:								
Reorganization settlement	26,133	-	4	-	26,137	-	100.00%	
Change in net position	650,208	41,372	5,939	2,946	656,147	44,318	-1380.54%	
Net position beginning of year, as restated	3,548,975	6,109,511	(42,437)	22,702	3,506,538	6,132,213	-42.82%	
Net position end of year	\$ 4,199,183	6,150,883	(36,498)	25,648	4,162,685	6,176,531	-32.60%	

In fiscal 2015, property tax and unrestricted state grants accounted for 73.11% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$6.49 million, of which approximately \$6.22 million was for governmental activities and approximately \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.10% increase in revenues and an 8.99% decrease in expenses. The decrease in expenses was related to decreased expenses in the instructional and support services functional area.

### Governmental Activities

Revenues for governmental activities were \$6,222,953 and expenses were \$5,598,878.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, long-term debt interest and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 3,441,547	3,713,763	-7.33%	2,809,508	3,118,930	-9.92%
Support services	1,719,688	2,020,022	-14.87%	1,563,026	1,756,858	-11.03%
Other expenses	437,643	446,917	-2.08%	239,371	247,203	-3.17%
Totals	\$ 5,598,878	6,180,702	-9.41%	4,611,905	5,122,991	-9.98%

For year ended June 30, 2015:

- The cost financed by users of the District's programs was \$443,993.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$542,980.
- The net cost of governmental activities was financed with \$2,153,856 in property tax, \$204,986 in income surtax, \$441,908 in statewide sales, services and use tax, \$2,395,978 in unrestricted state grants, \$4,603 in interest income, and \$34,649 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$268,205 and expenses were \$262,270. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenue.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,555,086, above last year's ending fund balances of a \$1,288,475. The primary reason for the increase was the increase in the Capital Projects Accounts balance.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The decrease in expenses was more than the decrease in revenues resulting in an increase in the General Fund balance from \$439,440 at June 30, 2014 to \$569,768 at June 30, 2015.
- The Capital Projects accounts balance increased from a balance of \$571,107 at June 30, 2014 to \$3,694,159 at June 30, 2015. This increase was primarily the result of the District issuing new revenue bonds and new capital loan notes for the District's construction projects.

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated balance of a deficit \$42,437 at July 1, 2014 to a deficit balance of \$36,498 at June 30, 2015, representing an increase of 13.99%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$777,761 less than budgeted revenues, a variance of 10.73%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested approximately \$6.03 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 26.69% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$328,981.

The original cost of the District's capital assets was \$11,118,869. Governmental funds account for \$10,998,683 with the remainder of \$120,186 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,436,671 at June 30, 2015 compared to \$0 at June 30, 2014. The increase in construction in progress is due to the District beginning construction on a safe room and HVAC renovations.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 34,900	34,900	-	-	34,900	34,900	0.00%
Construction in progress	1,436,671	-	-	-	1,436,671	-	100.00%
Buildings	4,045,424	4,205,427	-	-	4,045,424	4,205,427	-3.80%
Land improvements	241,047	251,965	-	-	241,047	251,965	-4.33%
Machinery and equipment	267,957	263,160	7,285	6,758	275,242	269,918	1.97%
Total	\$ 6,025,999	4,755,452	7,285	6,758	6,033,284	4,762,210	26.69%

### Long-Term Debt

At June 30, 2015, the District had \$6,157,918 in revenue bonds and other long-term debt outstanding. This represents an increase of 8118.56% from last year. (See Figure A-7) The decrease is mainly attributable to the district paying off their revenue bond early. More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding revenue bonds payable of \$2,010,000 at June 30, 2015.

The District had total outstanding capital loan notes payable of \$2,055,000 at June 30, 2015.

The District had net pension liability associated with IPERS of \$2,030,689 at June 30, 2015, of which \$1,978,906 was attributable to governmental activities and \$51,783 was attributable to business type activities.

The District had net pension liability associated with its annual early retirement offering of \$25,568 at June 30, 2015.

The District had a net OPEB liability of \$36,661 at June 30, 2015, of which \$35,987 was attributable to governmental activities and \$674 was attributable to business type activities.

Figure A-7							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not Restated)		(Not Restated)		(Not Restated)	
Revenue bonds	\$ 2,010,000	-	-	-	2,010,000	-	100.00%
Capital loan notes	2,055,000	-	-	-	2,055,000	-	100.00%
Termination benefits	-	27,585	-	-	-	27,585	-100.00%
Net pension liability - IPERS	1,978,906	-	51,783	-	2,030,689	-	100.00%
Net pension liability - early retirement	25,568	-	-	-	25,568	-	100.00%
Net OPEB liability	35,987	46,471	674	871	36,661	47,342	-22.56%
Total	\$ 6,105,461	74,056	52,457	871	6,157,918	74,927	8118.56%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment decreases continue to negatively impact the District's budget. However, administration does well to make the necessary cuts to expenditures in the upcoming budget so that the unspent budget authority can maintain at a steady pace. Past history has indicated spending authority has only dropped when the District intentionally uses it to fund "one-time" expenditures they feel are necessary.
- Decrease in revenue was due to a drop in miscellaneous income, which the District had predicted. Therefore the District cut expenditures in order to protect unspent budget authority. Although the unspent authorized budget dropped slightly in 2015, it still remains healthy at year end.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**BEDFORD COMMUNITY  
SCHOOL DISTRICT**

**Home of the Bulldogs**

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,542,342	32,142	5,574,484
Receivables:			
Property tax:			
Delinquent	33,512	-	33,512
Succeeding year	2,318,015	-	2,318,015
Income surtax	199,915	-	199,915
Accounts	14,588	36	14,624
Due from other funds	3,182	4	3,186
Due from other governments	293,233	-	293,233
Inventories	-	7,766	7,766
Capital assets, net of accumulated depreciation	6,025,999	7,285	6,033,284
<b>TOTAL ASSETS</b>	<b>14,430,786</b>	<b>47,233</b>	<b>14,478,019</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	395,350	10,587	405,937
<b>LIABILITIES</b>			
Due to other funds	3,186	-	3,186
Accounts payable	711,978	7	711,985
Salaries and benefits payable	495,501	15,126	510,627
Advance from Grantor	116,591	-	116,591
Other	4,515	-	4,515
Accrued interest payable	15,471	-	15,471
Unearned revenue	-	4,323	4,323
Long-term liabilities:			
Portion due within one year:			
Capital loan note payable	190,000	-	190,000
Portion due after one year:			
Revenue bonds payable	2,010,000	-	2,010,000
Capital loan note payable	1,865,000	-	1,865,000
Net pension liability - IPERS	1,978,906	51,783	2,030,689
Net pension liability - early retirement	25,568	-	25,568
Net OPEB liability	35,987	674	36,661
<b>TOTAL LIABILITIES</b>	<b>7,452,703</b>	<b>71,913</b>	<b>7,524,616</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	856,235	22,405	878,640
Succeeding year property tax	2,318,015	-	2,318,015
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,174,250</b>	<b>22,405</b>	<b>3,196,655</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,683,973	7,285	4,691,258
Restricted for:			
Categorical funding	101,608	-	101,608
Management levy purposes	213,021	-	213,021
Student activities	89,204	-	89,204
School infrastructure	917,263	-	917,263
Physical plant and equipment	53,922	-	53,922
Unrestricted	(1,859,808)	(43,783)	(1,903,591)
<b>TOTAL NET POSITION</b>	<b>\$ 4,199,183</b>	<b>(36,498)</b>	<b>4,162,685</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,889,732	75,002	63,536	-	(1,751,194)	(1,751,194)
Special	512,897	22,502	65,971	-	(424,424)	(424,424)
Other	1,038,918	237,759	167,269	-	(633,890)	(633,890)
	<u>3,441,547</u>	<u>335,263</u>	<u>296,776</u>	<u>-</u>	<u>(2,809,508)</u>	<u>(2,809,508)</u>
Support services:						
Student	107,799	-	15,507	-	(92,292)	(92,292)
Instructional staff	178,378	104,438	-	-	(73,940)	(73,940)
Administration	659,044	-	-	-	(659,044)	(659,044)
Operation and maintenance of plant	525,988	-	-	-	(525,988)	(525,988)
Transportation	248,479	4,292	868	31,557	(211,762)	(211,762)
	<u>1,719,688</u>	<u>108,730</u>	<u>16,375</u>	<u>31,557</u>	<u>(1,563,026)</u>	<u>(1,563,026)</u>
Long-term debt interest	15,471	-	-	-	(15,471)	(15,471)
Other expenses:						
AEA flowthrough	198,272	-	198,272	-	-	-
Depreciation(unallocated)*	223,900	-	-	-	(223,900)	(223,900)
	<u>422,172</u>	<u>-</u>	<u>198,272</u>	<u>-</u>	<u>(223,900)</u>	<u>(223,900)</u>
Total governmental activities	<u>5,598,878</u>	<u>443,993</u>	<u>511,423</u>	<u>31,557</u>	<u>(4,611,905)</u>	<u>(4,611,905)</u>
Business type activities:						
Support services:						
Administration	8	-	-	-	(8)	(8)
Operation and maintenance of plant	4,713	-	-	-	(4,713)	(4,713)
Non-instructional programs:						
Food service operations	257,549	100,576	166,405	-	9,432	9,432
Total business type activities	<u>262,270</u>	<u>100,576</u>	<u>166,405</u>	<u>-</u>	<u>4,711</u>	<u>4,711</u>
Total	<u>\$ 5,861,148</u>	<u>544,569</u>	<u>677,828</u>	<u>31,557</u>	<u>(4,611,905)</u>	<u>(4,607,194)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,097,781	-	2,097,781
Capital outlay				56,075	-	56,075
Income surtax				204,986	-	204,986
Statewide sales, services and use tax				441,908	-	441,908
Unrestricted state grants				2,395,978	-	2,395,978
Unrestricted investment earnings				4,603	20	4,623
Other				34,649	1,204	35,853
Total general revenues				<u>5,235,980</u>	<u>1,224</u>	<u>5,237,204</u>
Change in net position before extraordinary items				624,075	5,935	630,010
<b>Extraordinary items:</b>						
Reorganization settlement				26,133	4	26,137
Change in net position				650,208	5,939	656,147
Net position beginning of year, as restated				3,548,975	(42,437)	3,506,538
Net position end of year				<u>\$ 4,199,183</u>	<u>(36,498)</u>	<u>4,162,685</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,023,811	4,242,075	276,456	5,542,342
Receivables:				
Property tax:				
Delinquent	30,284	873	2,355	33,512
Succeeding year	1,876,640	291,375	150,000	2,318,015
Income surtax	199,915	-	-	199,915
Accounts	2,734	-	11,854	14,588
Due from other funds	-	-	3,182	3,182
Due from other governments	107,184	186,049	-	293,233
<b>TOTAL ASSETS</b>	<b>\$ 3,240,568</b>	<b>4,720,372</b>	<b>443,847</b>	<b>8,404,787</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 3,186	-	-	3,186
Accounts payable	91,043	618,247	2,688	711,978
Salaries and benefits payable	495,501	-	-	495,501
Advance from Grantors	-	116,591	-	116,591
Other	4,515	-	-	4,515
<b>TOTAL LIABILITES</b>	<b>594,245</b>	<b>734,838</b>	<b>2,688</b>	<b>1,331,771</b>
Deferred inflows of resources:				
Succeeding year property tax	1,876,640	291,375	150,000	2,318,015
Income surtax	199,915	-	-	199,915
Total deferred inflows of resources	2,076,555	291,375	150,000	2,517,930
Fund balances:				
Restricted for:				
Categorical funding	101,608	-	-	101,608
Management levy purposes	-	-	213,021	213,021
Student activities	-	-	89,204	89,204
School infrastructure	-	1,864,576	-	1,864,576
Physical plant and equipment	-	1,829,583	-	1,829,583
Unassigned:				
General	468,160	-	-	468,160
Student activities	-	-	(11,066)	(11,066)
Total fund balances	569,768	3,694,159	291,159	4,555,086
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUD BALANCES</b>	<b>\$ 3,240,568</b>	<b>4,720,372</b>	<b>443,847</b>	<b>8,404,787</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds (page 20)</b>	\$	4,555,086
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,025,999
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		199,915
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(15,471)
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	\$ 395,350	
Deferred inflows of resources	<u>(856,235)</u>	(460,885)
Long-term liabilities, including termination benefits, net pension liabilities, and other postemployment benefits payable, are not due and payable in the current period and are payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,105,461)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>4,199,183</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS .

**BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,132,630	56,075	151,235	2,339,940
Tuition	53,107	-	-	53,107
Other	195,686	1,265	247,923	444,874
State sources	2,685,745	442,649	-	3,128,394
Federal sources	206,179	31,557	-	237,736
<b>TOTAL REVENUES</b>	<b>5,273,347</b>	<b>531,546</b>	<b>399,158</b>	<b>6,204,051</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,900,192	-	27,585	1,927,777
Special	558,419	-	-	558,419
Other	832,073	-	214,885	1,046,958
	<b>3,290,684</b>	<b>-</b>	<b>242,470</b>	<b>3,533,154</b>
Support services:				
Student	131,986	-	-	131,986
Instructional staff	168,932	-	-	168,932
Administration	662,260	58,277	-	720,537
Operation and maintenance of plant	437,344	-	136,236	573,580
Transportation	252,533	-	17,781	270,314
	<b>1,653,055</b>	<b>58,277</b>	<b>154,017</b>	<b>1,865,349</b>
Capital outlay	-	1,450,576	-	1,450,576
Other expenditures:				
AEA flowthrough	198,272	-	-	198,272
<b>TOTAL EXPENDITURE</b>	<b>5,142,011</b>	<b>1,508,853</b>	<b>396,487</b>	<b>7,047,351</b>
Excess(Deficiency) of revenues over(under) expenditures	131,336	(977,307)	2,671	(843,300)
<b>OTHER FINANCING SOURCES(USES):</b>				
Reorganization settlement	(2,609)	18,182	10,560	26,133
Sale of equipment	1,601	-	-	1,601
Transfer in	-	34,854	-	34,854
Transfer out	-	(34,854)	-	(34,854)
Issuance of capital loan notes	-	2,055,000	-	2,055,000
Issuance of revenue bonds	-	2,010,000	-	2,010,000
Premium on issuance of revenue bonds	-	33,340	-	33,340
Discount on issuance of revenue bonds	-	(16,163)	-	(16,163)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,008)</b>	<b>4,100,359</b>	<b>10,560</b>	<b>4,109,911</b>
Change in fund balances	130,328	3,123,052	13,231	3,266,611
Fund balances beginning of year	439,440	571,107	277,928	1,288,475
Fund balances end of year	<b>\$ 569,768</b>	<b>3,694,159</b>	<b>291,159</b>	<b>4,555,086</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds (page 22)** \$ 3,266,611

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

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

Capital outlay	\$ 1,597,661	
Depreciation expense	(327,114)	1,270,547

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 18,902

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. (4,065,000)

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (15,471)

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. 286,509

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

Termination benefits	27,586	
Net pension expense - IPERS	(25,568)	
Net pension expense - early retirement	(124,392)	
Other postemployment benefits	10,484	(111,890)

**Change in net position of governmental activities (page 19)** \$ 650,208

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 32,142
Accounts receivable	36
Due from other funds	4
Inventories	7,766
<b>TOTAL CURRENT ASSETS</b>	<b>39,948</b>
 <b>NONCURRENT ASSETS:</b>	
Capital assets, net of accumulated depreciation	7,285
<b>TOTAL ASSETS</b>	<b>47,233</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	10,587
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	7
Salaries and benefits payable	15,126
Unearned revenue	4,323
Total current liabilities	19,456
Noncurrent liabilities:	
Net pension liability	51,783
Net OPEB liability	674
Total noncurrent liabilities	52,457
<b>TOTAL LIABILITIES</b>	<b>71,913</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	22,405
 <b>NET POSITION</b>	
Net investment in capital assets	7,285
Unrestricted	(43,783)
<b>TOTAL NET POSITION</b>	<b>\$ (36,498)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 100,576
Miscellaneous	1,204
Total operating revenues	101,780
Operating expenses:	
Support services:	
Administration:	
Services	8
Operation and maintenance of plant:	
Services	4,713
Non-instructional programs:	
Food service operations:	
Salaries	88,426
Benefits	15,664
Supplies	146,876
Other	4,716
Depreciation	1,867
	257,549
Total operating expenses	262,270
Operating loss	(160,490)
Non-operating revenues:	
Interest income	20
State sources	2,462
Federal sources	163,943
Total non-operating revenues	166,425
Change in net position before other financing sources	5,935
Other financing sources:	
Reorganization settlement	4
Change in net position	5,939
Net position beginning of year, as restated	(42,437)
Net position end of year	\$ (36,498)

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,471
Cash received from miscellaneous	1,204
Cash payments to employees for services	(110,464)
Cash payments to suppliers for goods or services	(139,142)
Net cash used in operating activities	(146,931)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	4
State grants received	2,462
Federal grants received	145,472
Net cash provided by non-capital financing activities	147,938
Cash flows from capital financing activities:	
Acquisition of assets	(2,394)
Cash flows from investing activities:	
Interest on investments	20
Net decrease in cash and cash equivalents	(1,367)
Cash and cash equivalents beginning of year	33,509
Cash and cash equivalents end of year	\$ 32,142
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (160,490)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,471
Depreciation	1,867
Increase in inventories	(1,307)
Decrease in accounts receivable	83
Increase in accounts payable	7
Decrease in salaries and benefits payable	(1,693)
Increase in unearned revenue	812
Decrease in net pension liability	(23,932)
Increase in deferred outflows of resources	(2,957)
Increase in deferred inflows of resources	22,405
Decrease in net OPEB liability	(197)
Net cash used by operating activities	\$ (146,931)

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

During the year ended June 30, 2015, the District received federal commodities valued at \$18,471.

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 115,226
<b>LIABILITIES</b>	
Due to other governments	-
<b>NET POSITION</b>	
Held in trust for scholarships	\$ 115,226

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 249
Contributions and Donations	114,885
Total additions	<u>115,134</u>
Deductions:	
Support Services:	
Administration	<u>1,250</u>
Change in net position	113,884
Net position beginning of year	<u>1,342</u>
Net position end of year	<u>\$ 115,226</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

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

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

**Cash, Pooled Investments and Cash Equivalents** - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. 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.

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

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.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay

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

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures functional area.

**Note 2. Cash and Pooled Investments**

The District’s deposits at June 30, 2015 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2015, the District had no investments.

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management Fund	General Fund	3,182
Nutrition Fund	General Fund	4
Total		<u>\$ 3,186</u>

The General Fund is repaying the Management Fund and the Nutrition Fund as a part of the Clearfield Community School District dissolution settlement.

**Note 4. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Capital Projects:	Capital Projects:	
Other Capital Projects	Statewide Sales, Services and Use Tax Fund	\$ 34,854

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Other Capital Projects Fund was to move all expenditures for the District’s safe room construction project into the same fund.

**Note 5. 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 34,900	-	-	34,900
Construction in progress	-	1,436,671	-	1,436,671
Total capital assets not being depreciated	34,900	1,436,671	-	1,471,571
Capital assets being depreciated:				
Buildings	7,273,501	52,979	-	7,326,480
Land improvements	757,918	-	-	757,918
Machinery and equipment	1,334,703	108,011	-	1,442,714
Total capital assets being depreciated	9,366,122	160,990	-	9,527,112
Less accumulated depreciation for:				
Buildings	3,068,074	212,982	-	3,281,056
Land improvements	505,953	10,918	-	516,871
Machinery and equipment	1,071,543	103,214	-	1,174,757
Total accumulated depreciation	4,645,570	327,114	-	4,972,684
Total capital assets being depreciated, net	4,720,552	(166,124)	-	4,554,428
Governmental activities capital assets, net	\$ 4,755,452	1,270,547	-	6,025,999
<b>Business type activities:</b>				
Machinery and equipment	\$ 117,792	2,394	-	120,186
Less accumulated depreciation	111,034	1,867	-	112,901
Business type activities capital assets, net	\$ 6,758	527	-	7,285

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 2,102
Other	6,694
Support services:	
Administration	4,489
Operation and maintenance	17,283
Transportation	72,646
	103,214
Unallocated depreciation	223,900
Total governmental activities depreciation expense	\$ 327,114
<b>Business type activities:</b>	
Food service operations	\$ 1,867

**Note 6. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ -	2,010,000	-	2,010,000	-
Capital loan notes	-	2,055,000	-	2,055,000	190,000
Termination benefits	27,585	-	27,585	-	-
Net pension liability - IPERS	2,893,482	-	914,576	1,978,906	-
Net pension liability - early retirement	-	25,568	-	25,568	-
Net OPEB liability	46,471	-	10,484	35,987	-
Total	\$ 2,967,538	4,090,568	952,645	6,105,461	190,000
<b>Business type activities:</b>					
Net pension liability - IPERS	\$ 75,715	-	23,932	51,783	-
Net OPEB liability	871	-	197	674	-
Total	\$ 76,586	-	24,129	52,457	-

**Revenue Bonds**

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of March 19, 2015				
	Interest Rates		Principal	Interest	Total
2016	2.00	% \$	-	35,402	35,402
2017	2.00		115,000	51,952	166,952
2018	2.00		125,000	49,552	174,552
2019	2.00		130,000	47,002	177,002
2020	2.50		130,000	44,077	174,077
2021-2025	2.50-2.75		710,000	168,032	878,032
2026-2030	2.75-3.10		800,000	62,823	862,823
Total			\$ 2,010,000	458,840	2,468,840

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,010,000 of bonds issued in March 2015. The bonds were issued for the purpose of financing construction costs for a safe room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds 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 approximately 8% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,468,840. For the current year, total statewide sales, services and use tax revenues were \$441,908.

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

- a) \$179,078 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 insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- 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 account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- 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.

**Capital Loan Notes**

The District issued \$2,055,000 of capital loan notes during the year ended June 30, 2015. These notes and the interest will be paid from the Capital Projects: Physical Plant and Equipment Levy account. Details of the capital loan notes are as follows:

Year Ending June 30,	Bond Issue of March 19, 2015			
	Interest Rates	Principal	Interest	Total
2016	0.85	% \$ 190,000	39,725	229,725
2017	1.00	195,000	38,110	233,110
2018	1.35	195,000	36,160	231,160
2019	1.65	200,000	33,528	233,528
2020	1.85	200,000	30,228	230,228
2021-2025	2.10-2.75	1,075,000	84,347	1,159,347
Total		\$ 2,055,000	262,098	2,317,098

**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 information 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, anytime 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 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 age 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 \$294,248.

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 \$2,030,689 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 collective proportion was 0.050177 percent, which was a decrease of 0.002264 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$127,647. 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	\$ 22,070	\$ -
Changes of assumptions	89,619	-
Net difference between projected and actual earnings on pension plan investments	-	774,446
Changes in proportion and differences between District contributions and proportionate share of contributions	-	104,194
District contributions subsequent to the measurement date	294,248	-
<b>Total</b>	<b>\$ 405,937</b>	<b>\$ 878,640</b>

\$294,248 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,	
2016	\$ (191,860)
2017	(191,860)
2018	(191,860)
2019	(191,860)
2020	490
	<u>\$ (766,950)</u>

There were no non-employer contributing entities at IPERS.

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 per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of 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.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	2	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-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,836,930	\$ 2,030,689	\$ 506,035

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 \$45,599 for legally required employer contributions and \$30,382 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 88 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	2,130
Adjustment to annual required contribution	(1,812)
Annual OPEB cost	<u>38,318</u>
Contributions made	(49,000)
Increase in net OPEB obligation	(10,682)
Net OPEB obligation beginning of year	<u>47,343</u>
Net OPEB obligation end of year	<u>\$ 36,661</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$49,000 to the medical plan. Retired members eligible for the plan contributed \$66,000 or 57.39% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	54,570	71.47%	60,000
2014	29,343	143.13%	47,343
2015	38,318	127.88%	36,661

**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 \$392,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$392,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,660,906 and the ratio of the UAAL to covered payroll was 14.73%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**Note 9. Supplemental Pension Plan**

**Plan Description** - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 55, has completed fifteen years of service to the District, submits an application to the Superintendent, receives Board approval and retires by June 30 of the same year.

There are 78 active members in the plan as of June 30, 2015. The plan benefit consists of a onetime payment (less payroll deductions) of the difference between the employee's salary including longevity at the time of retirement less the salary amount of a Step 5 of B.A. as defined by the District's salary structure.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 61,747
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>61,747</u>
Contributions made	<u>(36,179)</u>
Increase in net OPEB obligation	25,568
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 25,568</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2014. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	61,747	58.59%	25,568

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$350,680, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$350,680. The covered payroll (annual payroll of active employees covered by the plan) was \$987,990, and the ratio of the UAAL to the covered payroll was 35.49%. 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 employee retirement age. 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 for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB obligation. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

**Note 10. Risk Management**

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

**Note 11. 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 \$198,272 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 12. Deficit Balances**

At June 30, 2015, the District had four accounts within the Student Activity Fund that had deficit unassigned balances totaling \$11,066. The School Nutrition Fund had a deficit unrestricted net position of \$43,783 and a deficit total net position of \$36,498. The District's governmental activities had a deficit unrestricted net position of \$1,859,808 at June 30, 2015.

**Note 13. Construction Commitment**

The District has entered into various contracts totaling \$4,652,751 for a safe room project and HVAC upgrades. As of June 30, 2015, construction costs of \$1,436,671 has been incurred against the various contracts and the remainder of the contracts will be paid as work on the projects progresses.

**Note 14. Categorical Funding**

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

Program	Amount
Beginning Teacher Mentoring and Induction Program	\$ 7,608
Teacher Salary Supplement	29,828
Four-Year Old Preschool State Aid	8,609
Successful Progression for Early Readers	22,970
Professional Development for Model Core Curriculum	24,007
Professional Development	1,526
Teacher Leadership Grants	7,060
Total	<u>\$ 101,608</u>

**Note 15. Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	School Infrastructure	Physical Plant and Equipment Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,864,576	1,829,583	468,160
Capital assets, net of accumulated depreciation	6,025,999	-	-	-
Revenue bond capitalized indebtedness	(1,062,687)	-	-	-
Unspent revenue bond proceeds	-	(947,313)	-	-
Capital loan note capitalized indebtedness	(279,339)	-	-	-
Unspent capital loan proceeds	-	-	(1,775,661)	-
Accrued interest payable	-	-	-	(15,471)
Unassigned student activity fund balance	-	-	-	(11,066)
Net pension liability - IPERS	-	-	-	(1,978,906)
Pension related deferred outflows of resources	-	-	-	395,350
Pension related deferred inflows of resources	-	-	-	(856,235)
Income surtax	-	-	-	199,915
Net pension liability - early retirement	-	-	-	(25,568)
Net OPEB liability	-	-	-	(35,987)
Net position (Exhibit A)	<u>\$ 4,683,973</u>	<u>917,263</u>	<u>53,922</u>	<u>(1,859,808)</u>

**Note 16. Accounting Change/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 No. 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	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 6,150,883	\$ 25,648
Net pension liability at June 30, 2014	(2,893,482)	(75,715)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	291,574	7,630
Net position July 1, 2014, as restated	<u>\$ 3,548,975</u>	<u>\$ (42,437)</u>

**Note 17. Extraordinary Items/Reorganization Settlement**

On September 17, 2013 voters of the Clearfield Community School District voted to dissolve the District effective July 1, 2014. Fund balances of the District will be divided between Bedford, Diagonal, Lenox and Mount Ayr Community School Districts.

The allocation of the Clearfield Community School District's June 30, 2014 fund balances by fund to other districts per the recommendation of the Iowa Department of Management are as follows:

School District	Percentage Allocation Per DOM	General Fund	Management Levy	Statewide Sales, Services and Use Tax	Property Plant and Equipment Levy	Nutrition Fund	Total Received
Bedford	5.00%	\$ (2,608.35)	10,559.95	15,643.40	2,538.25	3.75	26,137.00
Diagonal	15.00%	(7,825.05)	31,679.85	46,930.20	7,614.75	11.25	78,411.00
Lenox	50.00%	(26,083.50)	105,599.50	156,434.00	25,382.50	40.52	261,373.02
Mount Ayr	30.00%	(15,650.10)	63,359.70	93,860.40	15,229.50	22.50	156,822.00
Total		<u>\$ (52,167.00)</u>	<u>211,199.00</u>	<u>312,868.00</u>	<u>50,765.00</u>	<u>78.02</u>	<u>522,743.02</u>

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual			Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 2,837,921	101,800	2,939,721	3,231,723	3,231,723	(292,002)
State sources	3,128,394	2,462	3,130,856	2,983,294	2,983,294	147,562
Federal sources	237,736	163,943	401,679	1,035,000	1,035,000	(633,321)
Total revenues	6,204,051	268,205	6,472,256	7,250,017	7,250,017	(777,761)
Expenditures/Expenses:						
Instruction	3,533,154	-	3,533,154	3,845,000	3,845,000	311,846
Support services	1,865,349	4,721	1,870,070	2,287,779	2,287,779	417,709
Non-instructional programs	-	257,549	257,549	320,000	320,000	62,451
Other expenditures	1,648,848	-	1,648,848	1,515,016	1,515,016	(133,832)
Total expenditures/expenses	7,047,351	262,270	7,309,621	7,967,795	7,967,795	658,174
Excess(Deficiency) of revenues over(under) expenditures/expenses	(843,300)	5,935	(837,365)	(717,778)	(717,778)	(119,587)
Other financing sources, net	4,109,911	4	4,109,915	10,000	10,000	4,099,915
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	3,266,611	5,939	3,272,550	(707,778)	(707,778)	3,980,328
Balances beginning of year, as restated	1,288,475	(42,437)	1,246,038	1,191,561	1,191,561	54,477
Balances end of year	\$ 4,555,086	(36,498)	4,518,588	483,783	483,783	4,034,805

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 502,000	502,000	0.00%	\$ 2,775,457	18.09%
2011	July 1, 2009	-	502,000	502,000	0.00%	2,870,309	17.49%
2012	July 1, 2009	-	502,000	502,000	0.00%	2,520,921	19.91%
2013	July 1, 2012	-	559,000	559,000	0.00%	2,826,495	19.78%
2014	July 2, 2012	-	392,000	392,000	0.00%	2,675,717	14.65%
2015	July 2, 2012	-	392,000	392,000	0.00%	2,660,906	14.73%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 SUPPLEMENTAL PENSION PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	July 1, 2014	-	\$ 350,680	350,680	0.00%	\$ 987,990	35.49%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.050177%
District's proportionate share of the net pension liability	\$ 2,030,689
District's covered-employee payroll	\$ 3,295,045
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.63%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

**Note:** Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 294,248	299,204	294,001	262,707	233,631	215,454	202,846	182,035	171,369	167,332
Contributions in relation to the statutorily required contribution	(294,248)	(299,204)	(294,001)	(262,707)	(233,631)	(215,454)	(202,846)	(182,035)	(171,369)	(167,332)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,295,045	3,350,549	3,391,015	3,255,353	3,361,597	3,100,058	3,194,425	3,008,843	2,980,330	2,910,122
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*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 jailers, 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.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a 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 lag between the valuation date and the effective date of the annual actuarial contribution rate.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

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.

**BEDFORD COMMUNITY  
SCHOOL DISTRICT**

**Home of the Bulldogs**

SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 197,346	79,110	276,456
Receivables:			
Property tax:			
Delinquent	2,355	-	2,355
Succeeding year	150,000	-	150,000
Accounts	10,138	1,716	11,854
Due from other funds	3,182	-	3,182
<b>TOTAL ASSETS</b>	<b>\$ 363,021</b>	<b>80,826</b>	<b>443,847</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	2,688	2,688
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Fund balances:			
Restricted for:			
Management levy purposes	213,021	-	213,021
Student activities	-	89,204	89,204
Unassigned			
Student activity	-	(11,066)	(11,066)
Total fund balances	213,021	78,138	291,159
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 363,021</b>	<b>80,826</b>	<b>443,847</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 151,235	-	151,235
Other	16,758	231,165	247,923
Total revenues	167,993	231,165	399,158
Expenditures:			
Current:			
Instruction:			
Regular	27,585	-	27,585
Other	-	214,885	214,885
Support services:			
Operation and maintenance of plant	136,236	-	136,236
Transportation	17,781	-	17,781
Total expenditures	181,602	214,885	396,487
Excess(Deficiency) of revenues over(under) expenditures	(13,609)	16,280	2,671
Other financing sources:			
Reorganization settlement	10,560	-	10,560
Change in fund balances	(3,049)	16,280	13,231
Fund balances beginning of year	216,070	61,858	277,928
Fund balances end of year	\$ 213,021	78,138	291,159

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,300,188	1,834,567	107,320	4,242,075
Receivables:				
Property tax:				
Delinquent	-	873	-	873
Succeeding year	-	291,375	-	291,375
Due from other governments	69,458	-	116,591	186,049
<b>TOTAL ASSETS</b>	<b>\$ 2,369,646</b>	<b>2,126,815</b>	<b>223,911</b>	<b>4,720,372</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 599,041	5,857	13,349	618,247
Advances from grantors	-	-	116,591	116,591
Total liabilities	599,041	5,857	129,940	734,838
Deferred inflows of resources:				
Unavailable revenues				
Succeeding year property tax	-	291,375	-	291,375
Fund balances:				
Restricted for:				
School infrastructure	1,770,605	-	93,971	1,864,576
Physical plant and equipment	-	1,829,583	-	1,829,583
Total fund balances	1,770,605	1,829,583	93,971	3,694,159
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,369,646</b>	<b>2,126,815</b>	<b>223,911</b>	<b>4,720,372</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	56,075	-	56,075
Other	689	347	229	1,265
State sources	441,908	-	741	442,649
Federal sources	-	26,000	5,557	31,557
Total revenues	442,597	82,422	6,527	531,546
Expenditures:				
Current:				
Support services:				
Administration	43,830	14,447	-	58,277
Other expenditures:				
Capital outlay	954,942	349,881	145,753	1,450,576
Total expenditures	998,772	364,328	145,753	1,508,853
Deficiency of revenues under expenditures	(556,175)	(281,906)	(139,226)	(977,307)
Other financing (uses):				
Reorganization settlement	15,644	2,538	-	18,182
Transfers in	-	-	34,854	34,854
Transfer out	(34,854)	-	-	(34,854)
Issuance of capital loan notes	-	2,055,000	-	2,055,000
Issuance of revenue bonds	2,010,000	-	-	2,010,000
Premium on issuance of revenue bonds	33,340	-	-	33,340
Discount on issuance of revenue bonds	(16,163)	-	-	(16,163)
Total other financing sources(uses)	2,007,967	2,057,538	34,854	4,100,359
Change in fund balances	1,451,792	1,775,632	(104,372)	3,123,052
Fund balances beginning of year	318,813	53,951	198,343	571,107
Fund balances end of year	\$ 1,770,605	1,829,583	93,971	3,694,159

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD 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	Adjustments	Balance End of Year
<b>HS Athletics:</b>					
Football	\$ 10,153	18,619	14,173	-	14,599
Volleyball	1,135	8,799	8,326	-	1,608
Basketball	11,018	18,581	20,026	-	9,573
Wrestling	822	6,346	7,436	(72)	(340)
Track	(2,486)	7,254	10,016	-	(5,248)
Softball	(3,303)	4,841	4,355	-	(2,817)
Baseball	(3,596)	3,688	2,753	-	(2,661)
Golf	-	1,293	1,293	-	-
Cross Country	-	653	653	-	-
	<u>13,743</u>	<u>70,074</u>	<u>69,031</u>	<u>(72)</u>	<u>14,714</u>
<b>HS Clubs &amp; Organizations:</b>					
FFA	3,643	16,108	14,513	(84)	5,154
FCCLA	1,570	1,879	2,185	-	1,264
Iron Man Club	73	-	-	-	73
NHS	119	245	271	-	93
Student Council	4,421	3,743	3,843	(34)	4,287
SADOBS	1,470	1,465	1,215	(1,207)	513
Instrumental Club	498	340	240	-	598
Vocal	148	506	460	-	194
Swish and Spike Club	2,060	13,656	12,892	84	2,908
BPA	(181)	26,062	24,824	-	1,057
Yearbook #2	9,165	6,304	5,318	-	10,151
Yearbook	858	75	-	-	933
Bulldog Club	1,578	5,559	4,619	-	2,518
Cheerleaders	(734)	3,756	2,726	-	296
Art	740	380	504	-	616
Musical	1,243	3,605	6,055	1,207	-
Music Club	4	-	-	-	4
Class of 2012	-	800	-	-	800
Class of 2015	1,122	4,612	5,734	-	-
Class of 2016	1,172	14,705	12,757	280	3,400
Class of 2017	880	-	34	-	846
Class of 2018	925	-	45	-	880
Class of 2019	707	800	123	-	1,384
Class of 2020	500	800	-	-	1,300
Senior Cheers	530	13,749	4,440	(127)	9,712
Swish Club	9	-	-	-	9
	<u>32,520</u>	<u>119,149</u>	<u>102,798</u>	<u>119</u>	<u>48,990</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<b>MS Athletics:</b>					
Volleyball	1,088	1,042	879	-	1,251
Basketball	3,656	1,628	3,278	-	2,006
Wrestling	1,100	197	87	-	1,210
Track	1,734	1,372	1,273	-	1,833
Softball	1,636	1,243	612	-	2,267
Baseball	1,337	1,243	736	-	1,844
Football	1,503	1,009	1,639	-	873
	<u>12,054</u>	<u>7,734</u>	<u>8,504</u>	-	<u>11,284</u>
<b>MS Clubs &amp; Organizations:</b>					
Student Council	445	937	287	-	1,095
Magazine Sales	-	7,180	7,180	-	-
Yearbook	(153)	72	-	81	-
	<u>292</u>	<u>8,189</u>	<u>7,467</u>	<u>81</u>	<u>1,095</u>
<b>Elementary Clubs &amp; Organizations:</b>					
PTK Club	112	-	-	(81)	31
K-8 Book Fair	-	5,707	5,707	-	-
Student Council	1,817	2,661	4,485	323	316
Yearbook	556	873	-	(370)	1,059
	<u>2,485</u>	<u>9,241</u>	<u>10,192</u>	<u>(128)</u>	<u>1,406</u>
<b>District-wide Accounts:</b>					
Great Race	91	-	-	-	91
Activity Tickets	-	4,650	4,650	-	-
Interest	-	662	662	-	-
Field Trips	-	1,425	1,414	-	11
After Prom	673	10,041	10,167	-	547
	<u>764</u>	<u>16,778</u>	<u>16,893</u>	-	<u>649</u>
Total	<u>\$ 61,858</u>	<u>231,165</u>	<u>214,885</u>	-	<u>78,138</u>

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Due from other governments	\$ 3,643	-	3,643	-
<b>LIABILITIES</b>				
Due to other governments	\$ 3,643	-	3,643	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,339,940	2,188,893	2,392,375	2,500,370	2,544,792	2,271,969	2,189,075	1,818,678	1,944,692	1,924,607
Tuition	53,107	71,834	63,042	78,794	335,687	221,228	216,740	363,870	346,398	288,236
Other	444,874	454,477	515,359	517,063	388,455	440,045	352,602	385,081	323,980	265,122
State sources	3,128,394	3,224,191	3,017,577	3,097,315	2,766,156	2,614,341	3,044,096	2,785,092	2,449,830	2,434,906
Federal sources	237,736	273,246	252,967	218,936	490,929	616,230	251,236	208,021	213,966	215,985
Total	\$ 6,204,051	6,212,641	6,241,320	6,412,478	6,526,019	6,163,813	6,053,749	5,560,742	5,278,866	5,128,856
Expenditures:										
Instruction:										
Regular	\$ 1,927,777	1,950,076	1,861,450	1,977,408	1,742,373	1,820,818	1,814,620	1,815,059	1,714,689	1,742,618
Special	558,419	690,445	820,020	781,125	801,094	850,496	835,506	709,680	726,034	668,187
Other	1,046,958	985,737	1,010,276	931,489	1,036,121	918,619	821,648	780,242	714,355	692,015
Support services:										
Student	131,986	135,388	134,647	140,882	136,583	163,925	142,692	126,673	118,310	125,990
Instructional staff	168,932	310,248	291,642	532,860	256,017	587,662	292,182	228,841	163,211	154,620
Administration	720,537	660,007	650,981	612,016	586,105	528,081	646,844	609,434	576,913	541,728
Operation and maintenance of plant	573,580	575,869	584,514	581,228	496,039	593,996	492,826	461,171	437,604	419,410
Transportation	270,314	268,943	287,599	270,994	250,859	260,347	225,908	210,096	217,959	197,344
Capital outlay	1,450,576	187,694	272,271	200,986	385,248	481,146	350,191	243,782	155,833	189,443
Long-term debt:										
Principal	-	420,000	65,000	365,575	355,574	295,574	260,000	195,000	190,000	185,000
Interest and other charges	-	5,979	17,449	35,363	32,993	24,598	27,305	32,285	37,320	41,365
Other expenditures:										
AEA flow-through	198,272	199,714	194,839	195,884	221,707	219,708	198,108	166,539	163,878	159,486
Total	\$ 7,047,351	6,390,100	6,190,688	6,625,810	6,300,713	6,744,970	6,107,830	5,578,802	5,216,106	5,117,206

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**BEDFORD COMMUNITY  
SCHOOL DISTRICT**

**Home of the Bulldogs**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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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 of the Bedford Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2016.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficient is a deficient, or a combination of deficiencies, in internal control which is less severe that a material weakness. Yet important enough to merit attention by those charged with governance. We considered the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

## **Compliance and Other Matters**

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

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

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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2016  
Newton, Iowa

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTRAL DEFICIENCY:**

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

Response - The District works diligently to segregate duties to insure maximum internal control. We will continue to do our best to oversee procedures to sustain the best internal control possible with the limited number of staff we employ.

Conclusion - Response accepted.

I-B-15 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for the calculation of commodity inventory at year end.

Response - We will be certain the correct values are used in the future.

Conclusion - Response accepted.

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

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - The district monitors budget spending, but did not realize construction was going to progress as quickly as it did at the end of the fiscal year. The new HVAC construction did not begin until mid May, and we did not realize it would progress as quickly as it did by the end of June, which created more expenditures than we had budgeted by fiscal year-end. The deadline for amending the budget had already passed when we realized how many expenses were going to fall in the current fiscal year. We will monitor expenditures more closely in the future.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

Name, Title and Business Connection	Transaction Description	Amount
Lorna Bucher, Teacher Owns Bedford County Store/Godfathers Pizza	Supplies/Pizza	\$507
Kay Goodridge, Para-educator Husband owns Ray's Trophies	Trophies/Awards	\$3,015
Charlie Ambrose, bus driver Owns Charlie's Garden	Supplies	\$1,554

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

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

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

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-15 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit.

Beginning Balance		\$ 318,813
Revenues:		
Sales tax revenues	\$ 441,908	
Other local revenues	689	
Sale of long-term debt	2,010,000	
Other	48,984	2,501,581
		<u>2,820,394</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 640,634	
Equipment	28,995	
Other	345,306	
Transfers to other funds:		
Other Transfers	34,854	1,049,789
		<u>1,049,789</u>
Ending Balance		<u>\$ 1,770,605</u>

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

- II-M-15 Deficit Accounts - At June 30, 2015, the District had four accounts in the Student Activity Fund that had deficit unassigned balances totaling \$11,066. The School Nutrition Fund had a deficit unrestricted net position of \$43,783 and a deficit total net position of \$36,498. The District's governmental activities had a deficit unrestricted net position of \$1,859,808 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$1,978,906 at June 30, 2015. (See Note 16, Accounting Change/Restatement).

Conclusion - Response accepted.

II-N-15 Copier Lease - We noted during our audit that the Superintendent signed the copier lease with Access Systems. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We will be certain to have the Board President sign all contracts in the future.

Conclusion - Response accepted.