

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT  
BONDURANT, IOWA

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

JUNE 30, 2016

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2015 election)		
Christopher P. Freese	President	2015
Tom Looft	Vice President	2015
Susan Ugulini	Board Member	2015
Steve Davis	Board Member	2017
Kristin Swift	Board Member	2017
(After September 2015 election)		
Susan Ugulini	President	2019
Kristin Swift	Vice President	2017
Christopher P. Freese	Board Member	2019
Tom Looft	Board Member	2019
Steve Davis	Board Member	2017
<u>School Officials</u>		
Rich Powers	Superintendent	2016
Jared Abel	District Secretary/Treasurer and Business Manager	2016
Ahlers & Cooney, P.C.	Attorney	Indefinite

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

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bondurant-Farrar Community School District, Bondurant, Iowa, as of and for the year ended June 30, 2016 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other

*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 16 and 58 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the three years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2017 on our consideration of Bondurant-Farrar Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bondurant-Farrar Community School District's internal control over financial reporting and compliance.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
January 27, 2017

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

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Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

#### **2016 FINANCIAL HIGHLIGHTS**

General Fund revenues increased from \$15,416,973 in fiscal 2015 to \$17,126,574 in fiscal 2016. General Fund expenditures increased from \$16,038,996 in fiscal 2015 to \$16,789,889 in fiscal 2016. This resulted in an increase in the District's General Fund balance from \$1,266,523 in fiscal 2015 to \$1,605,583 in fiscal 2016. The District's solvency ratio increased from 6.20% in fiscal 2015 to 7.25% in 2016.

The increase in General Fund revenues was attributable in part to increases in supplemental state aid as well as the District's student enrollment. The increase in expenditures was due to the increase in negotiated salaries and benefits, the increase in number of students served, and the addition of new certified and classified staff.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

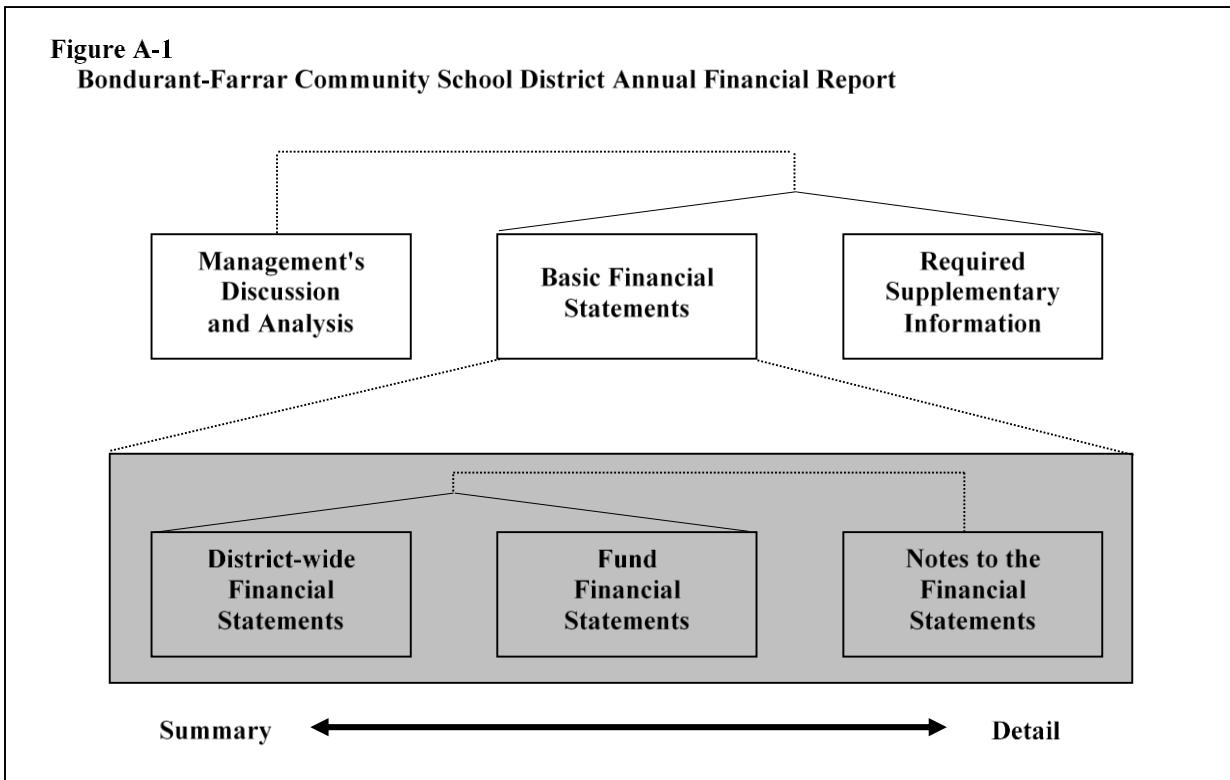


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the District-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student construction programs	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
<b>Required financial statements</b>	<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 fund 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>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/ liability information</b>	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, 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
<b>Type of inflow/outflow information</b>	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	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
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## District-wide Financial Statements

The District-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 reporting year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

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

## Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide 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 currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund, and one Internal Service Fund, the Flex Spending Fund.

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

## Financial Analysis of the District as a Whole

**Net Position** - Figure A-3 below provides a summary of the district's net position for the year ended June 30, 2016 compared to fiscal year 2015.

### Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-2016
Current and Other Assets	17,406,781	15,948,200	328,473	324,167	17,735,254	16,272,367	8.99%
Capital Assets	37,259,776	37,981,716	231,437	266,819	37,491,213	38,248,535	-1.98%
<b>Total Assets:</b>	<b>54,666,557</b>	<b>53,929,916</b>	<b>559,910</b>	<b>590,986</b>	<b>55,226,467</b>	<b>54,520,902</b>	<b>1.29%</b>
Deferred Outflows of Resources	2,257,834	1,694,249	72,714	50,607	2,330,548	1,744,856	33.57%
Long-Term Liabilities	24,862,184	24,349,517	228,158	155,578	25,090,342	24,505,095	2.39%
Other Liabilities	2,271,248	2,226,829	44,193	18,038	2,315,441	2,244,867	3.14%
<b>Total Liabilities:</b>	<b>27,133,432</b>	<b>26,576,346</b>	<b>272,351</b>	<b>173,616</b>	<b>27,405,783</b>	<b>26,749,962</b>	<b>2.45%</b>
Deferred Inflows of Resources	6,756,123	7,566,226	18,989	59,333	6,775,112	7,625,559	-11.15%
Net Position:							
Net Investment in Capital Assets	19,979,776	19,406,716	231,437	266,819	20,211,213	19,673,535	2.73%
Restricted	7,422,894	6,886,850	0	0	7,422,894	6,886,850	7.78%
Unrestricted	(4,367,834)	(4,811,973)	109,847	141,825	(4,257,987)	(4,670,148)	8.83%
<b>Total Net Position:</b>	<b>23,034,836</b>	<b>21,481,593</b>	<b>341,284</b>	<b>408,644</b>	<b>23,376,120</b>	<b>21,890,237</b>	<b>6.79%</b>

The District's combined net position at June 30, 2016 compared to fiscal year 2015 is listed in Figure A-3. The District's combined net position increased 6.79% to \$23,376,120. The largest portion of the district's net position is its net investment in capital assets. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

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

Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The 8.83% change in unrestricted net position was primarily a result of changes in the District's net pension liability and related deferred inflows and outflows.

Figure A-4 shows the change in net position for the year ended June 30, 2016 compared to fiscal year 2015.

**Figure A-4**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total District	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for Service	1,733,435	1,639,115	622,040	755,051	2,355,475	2,394,166
Operating Grants, Contributions & Restricted Interest	2,207,917	1,919,718	364,915	323,488	2,572,832	2,243,206
Capital Grans, Contributions & Restricted Interest	0	1,059,000			0	1,059,000
General Revenues:						
Property Tax	5,696,465	5,139,040			5,696,465	5,139,040
Income Surtax	291,435	271,176			291,435	271,176
Statewide Sales, Services and Use Tax	1,615,231	1,505,438			1,615,231	1,505,438
Unrestricted State Grants	9,387,109	8,793,202			9,387,109	8,793,202
Unrestricted Investment Earnings	16,551	11,551	119	82	16,670	11,633
Other	58,401	251,073			58,401	251,073
<b>Total Revenues</b>	<b>21,006,544</b>	<b>20,589,313</b>	<b>987,074</b>	<b>1,078,621</b>	<b>21,993,618</b>	<b>21,667,934</b>
<b>Expenses:</b>						
Program Expenses:						
Governmental Activities:						
Instruction	10,820,412	10,436,085	778	204,058	10,821,190	10,640,143
Support Services	5,954,514	5,477,019	8,272	7,106	5,962,786	5,484,125
Non-Instructional Program	0	0	1,045,384	971,383	1,045,384	971,383
Other Expenses	2,678,375	2,847,940	0	0	2,678,375	2,847,940
<b>Total Expenses</b>	<b>19,453,301</b>	<b>18,761,044</b>	<b>1,054,434</b>	<b>1,182,547</b>	<b>20,507,735</b>	<b>19,943,591</b>
<b>Change in Net Position</b>	<b>1,553,243</b>	<b>1,828,269</b>	<b>(67,360)</b>	<b>(103,926)</b>	<b>1,485,883</b>	<b>1,724,343</b>

### Governmental Activities

Revenues for governmental activities were \$21,006,544 and expenses were \$19,453,301.

Property tax and unrestricted state grants account for 72% of total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

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

**Figure A-5**  
**Total & Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	10,820,412	7,733,242
Support Service	5,954,514	5,811,255
Non-Instructional Programs	0	0
Other Expenses	2,678,375	1,967,452
<b>Totals</b>	<b>19,453,301</b>	<b>15,511,949</b>

- The cost financed by users of the District's programs was \$1,733,435.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$2,207,917.
- The net cost of governmental activities was financed in part with \$5,696,465 in property tax, \$1,615,231 in statewide sales, service and use tax, \$291,435 in income surtax, \$9,387,109 in unrestricted state grants, \$16,551 in interest income, and \$58,401 in miscellaneous sources.

#### **Business-Type Activities**

Revenues of the District's business-type activities were \$987,074 and expenses were \$1,054,434. The District's business-type activities include the School Nutrition Fund and Construction Class. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,862,133 compared to \$8,062,439 in Fiscal Year 2015. The General Fund balance for Fiscal Year 2016 was \$1,605,583 compared to \$1,266,523 for Fiscal Year 2015.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. The General Fund balance increased as planned in order to increase the district's solvency ratio to align with board goals and with fiscally responsible benchmarks.
- The district's debt service fund balance increased \$352,859 due to reserve funds accumulated for the bond refunding escrow account and the revenue bonds.
- The district's capital projects fund increased \$143,379.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net position decreased from \$263,965 to \$197,383, representing a decrease of 25%. This decrease is a result of serving a rapidly growing population.
- The Construction Class Fund net position decreased from \$144,679 to \$143,901 on June 30, 2016.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of FY2016 the District amended its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison as presented in the required supplemental information section of this report.

### **Legal Budgetary Highlights**

The District's total actual receipts were \$624,526 more than the total budgeted receipts, a variance of 3%. The variance was due to an increase in state and federal sources of revenue.

Total expenditures were \$1,855,471 less than budgeted due excess budgeting when the amendment was made. The budget was amended one time during the fiscal year for unanticipated expenditures due to growth.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2016, the District had invested \$37,491,213, net of accumulated depreciation of \$12,259,776, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year totaled \$1,294,556.

The original cost of the District's capital assets was \$49,750,989. Governmental activities account for \$49,073,115, leaving \$677,874 in the business activities.

**Figure A-6**  
**Capital Assets, Net of Depreciation**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total District</b>
Land	1,161,901		1,161,901
Construction in Progress	194,254		194,254
Buildings	30,019,398		30,019,398
Improvements Other Than Buildings	4,233,978		4,233,978
Furniture & Equipment	1,650,245	231,437	1,881,682
<b>TOTALS:</b>	<b>37,259,776</b>	<b>231,437</b>	<b>37,491,213</b>

### **Long-Term Liabilities**

At June 30, 2016, the District had \$25,090,342 in general obligation and other long-term liabilities outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	<b>Total District</b>
General Obligation Bonds	7,295,000
Statewide Sales & Service Tax Revenue Bonds	9,415,000
Capital Loan Notes	570,000
Early Retirement	111,709
Net Pension Liability	7,312,754
Net OPEB Liability	385,879
<b>Totals</b>	<b>25,090,342</b>

## **Factors Bearing on the District's Future**

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

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

- The rapid growth of the District provides financial challenges. As the need for facilities increases, the taxable valuation of the district increases at a far less rate causing the debt limit to be approached and surpassed if growth continues at current rate. The District will continue to explore options to increase efficiency while having as much support for students, faculty and staff as allowed by maintaining fiscal responsibility.
- Due to the District's location in the metro area and continued growth, certified enrollment increased 6.86% in FY16, 6.34% in FY15 and 8.81% in FY14 with the student served population increasing as well. Current projections predict continued growth in the District. State funding will continue to be an important subject of interest in future years due to the uncertainty of the state aid formula and special programs.
- Many factors continue to be a concern for the District including the fluctuation in prices of gas, diesel, and natural gas.
- With 80% of the General Fund expenditures consisting of salaries and benefits, the increasing cost of salaries, benefits, health costs, and IPERS continue to be a major concern.
- Along with the growing population comes the need to hire staff. The District will continue to evaluate class size and make fiscally responsible decisions that are best for the children of the district.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cari Aylsworth, Business Manager, Bondurant-Farrar Community School District, 300 Garfield Street SW, Bondurant, IA 50035.

## Basic Financial Statements

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Business-type Activities	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 10,441,136	\$ 144,346	\$ 10,585,482
Receivables:			
Property tax:			
Current year	23,909	-	23,909
Succeeding year	6,166,499	-	6,166,499
Income surtax	244,868	-	244,868
Interfund balances (note 4)	37,133	(37,133)	-
Accounts	12,263	446	12,709
Due from other governments	480,973	-	480,973
Inventories	-	220,814	220,814
Capital assets, net of accumulated depreciation (note 5)	<u>37,259,776</u>	<u>231,437</u>	<u>37,491,213</u>
 Total assets	 <u>54,666,557</u>	 <u>559,910</u>	 <u>55,226,467</u>
 <b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>2,257,834</u>	<u>72,714</u>	<u>2,330,548</u>
 <b>Liabilities</b>			
Accounts payable	528,090	27,761	555,851
Salaries and benefits payable	1,527,567	2,753	1,530,320
Deposits payable	54,740	-	54,740
Advances from grantors	22,884	-	22,884
Unearned revenue	-	13,679	13,679
Accrued interest payable	137,967	-	137,967
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	32,128	-	32,128
Bonds payable	1,055,000	-	1,055,000
Notes payable	280,000	-	280,000
Portion due after one year:			
Early retirement	79,581	-	79,581
Bonds payable	15,655,000	-	15,655,000
Notes payable	290,000	-	290,000
Net pension liability	7,084,596	228,158	7,312,754
Net OPEB liability	<u>385,879</u>	<u>-</u>	<u>385,879</u>
 Total liabilities	 <u>27,133,432</u>	<u>272,351</u>	<u>27,405,783</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Business-type Activities	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 6,166,499	\$ -	\$ 6,166,499
Pension related deferred inflows	<u>589,624</u>	<u>18,989</u>	<u>608,613</u>
 Total deferred inflows of resources	 <u>6,756,123</u>	 <u>18,989</u>	 <u>6,775,112</u>
 <b>Net Position</b>			
Net investment in capital assets	19,979,776	231,437	20,211,213
Restricted for:			
Categorical funding	416,020	-	416,020
Debt service	3,031,323	-	3,031,323
Capital projects	3,000,043	-	3,000,043
Physical plant and equipment levy purposes	590,473	-	590,473
Management levy purposes	302,758	-	302,758
Student activities	82,277	-	82,277
 Unrestricted	 <u>(4,367,834)</u>	 <u>109,847</u>	 <u>(4,257,987)</u>
 Total net position	 <u>\$ 23,034,836</u>	 <u>\$ 341,284</u>	 <u>\$ 23,376,120</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and	Contributions	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 7,367,385	\$ 812,756	\$ 1,308,363		
Special	1,947,915	503,772	163,580		
Other	1,505,112	281,204	17,495		
	<u>10,820,412</u>	<u>1,597,732</u>	<u>1,489,438</u>		
Support services:					
Student	594,441	-	-		
Instructional staff	950,697	-	1,239		
Administration	1,801,753	29,198	-		
Operation and maintenance of plant	1,901,363	57,307	6,317		
Transportation	706,260	49,198	-		
	<u>5,954,514</u>	<u>135,703</u>	<u>7,556</u>		
Other expenditures:					
Facilities acquisition	396,534	-	-		
Long-term debt interest and fiscal charges	578,014	-	-		
AEA flowthrough	710,923	-	710,923		
Depreciation (unallocated) *	992,904	-	-		
	<u>2,678,375</u>	<u>-</u>	<u>710,923</u>		
Total governmental activities	<u>19,453,301</u>	<u>1,733,435</u>	<u>2,207,917</u>		

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,246,266)	\$ (5,246,266)	
(1,280,563)	- (1,280,563)	
(1,206,413)	- (1,206,413)	
<u>(7,733,242)</u>	<u>- (7,733,242)</u>	
(594,441)	- (594,441)	
(949,458)	- (949,458)	
(1,772,555)	- (1,772,555)	
(1,837,739)	- (1,837,739)	
<u>(657,062)</u>	<u>- (657,062)</u>	
<u>(5,811,255)</u>	<u>- (5,811,255)</u>	
(396,534)	- (396,534)	
(578,014)	- (578,014)	
-	-	-
<u>(992,904)</u>	<u>- (992,904)</u>	
<u>(1,967,452)</u>	<u>- (1,967,452)</u>	
<u>(15,511,949)</u>	<u>- (15,511,949)</u>	

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Business-Type Activities:</b>			
Instruction			
Construction class operations	\$ 778	\$ -	\$ -
<b>Support services:</b>			
Operation and maintenance of plant	8,272	-	-
<b>Non-instructional programs:</b>			
Food service operations	1,045,384	622,040	364,915
Total business-type activities	1,054,434	622,040	364,915
Total	\$ 20,507,735	\$ 2,355,475	\$ 2,572,832
<b>General revenues:</b>			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (778)	\$ (778)
-	(8,272)	(8,272)
-	(58,429)	(58,429)
-	(67,479)	(67,479)
(15,511,949)	(67,479)	(15,579,428)
\$ 4,012,238	\$ 4,012,238	
1,111,797	- 1,111,797	
572,430	- 572,430	
291,435	- 291,435	
1,615,231	- 1,615,231	
9,387,109	- 9,387,109	
16,551	119 16,670	
58,401	- 58,401	
<u>17,065,192</u>	<u>119</u> <u>17,065,311</u>	
1,553,243	(67,360) 1,485,883	
<u>21,481,593</u>	<u>408,644</u> <u>21,890,237</u>	
\$ <u>23,034,836</u>	\$ <u>341,284</u> \$ <u>23,376,120</u>	

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 3,311,738	\$ 3,163,287	\$ 3,456,826	\$ 508,285	\$ 10,440,136
Receivables:					
Property tax:					
Current year	16,427	4,328	2,212	942	23,909
Succeeding year	3,874,033	1,428,440	589,026	275,000	6,166,499
Income surtax	244,868	-	-	-	244,868
Interfund (note 4)	38,133	-	-	-	38,133
Accounts	6,348	-	-	5,915	12,263
Due from other governments	214,995	-	265,978	-	480,973
 Total assets	 <u>\$ 7,706,542</u>	 <u>\$ 4,596,055</u>	 <u>\$ 4,314,042</u>	 <u>\$ 790,142</u>	 <u>\$ 17,406,781</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 378,917	\$ -	\$ 132,825	\$ 16,348	\$ 528,090
Salaries and benefits payable	1,527,567	-	-	-	1,527,567
Deposits payable	54,740	-	-	-	54,740
Advances from grantors	20,834	-	-	2,050	22,884
Total liabilities	<b>1,982,058</b>	<b>-</b>	<b>132,825</b>	<b>18,398</b>	<b>2,133,281</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,874,033	1,428,440	589,026	275,000	6,166,499
Other	244,868	-	-	-	244,868
Total deferred inflows of resources	<b>4,118,901</b>	<b>1,428,440</b>	<b>589,026</b>	<b>275,000</b>	<b>6,411,367</b>
Fund balances:					
Restricted for:					
Categorical funding (note 12)	416,020	-	-	-	416,020
Revenue bonds reserve fund (note 6)	-	817,460	-	-	817,460
Revenue refunding escrow (note 6)	-	1,520,000	-	-	1,520,000
Debt service	-	830,155	-	-	830,155
School infrastructure	-	-	3,000,043	-	3,000,043
Physical plant and equipment	-	-	592,148	-	592,148
Management levy purposes	-	-	-	414,467	414,467
Student activities	-	-	-	82,277	82,277
Unassigned	<b>1,189,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,189,563</b>
Total fund balances	<b>1,605,583</b>	<b>3,167,615</b>	<b>3,592,191</b>	<b>496,744</b>	<b>8,862,133</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 7,706,542</b>	<b>\$ 4,596,055</b>	<b>\$ 4,314,042</b>	<b>\$ 790,142</b>	<b>\$ 17,406,781</b>

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2016

Total fund balances of governmental funds	\$ 8,862,133
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Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	37,259,776
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Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	244,868
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(137,967)
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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	\$ 2,257,834
Deferred inflows of resources	<u>(589,624)</u>
	1,668,210

Long-term liabilities, including early retirement, bonds and notes payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(24,862,184)</u>
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Net position of governmental activities	<u>\$ 23,034,836</u>
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See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,996,972	\$ 1,092,363	\$ 558,228	\$ 233,605	\$ 5,881,168
Tuition	962,912	-	-	-	962,912
Other	381,289	11,392	2,692	318,200	713,573
State sources	11,325,974	19,434	1,625,162	4,328	12,974,898
Federal sources	459,427	-	-	-	459,427
Total revenues	<b>17,126,574</b>	<b>1,123,189</b>	<b>2,186,082</b>	<b>556,133</b>	<b>20,991,978</b>
<b>Expenditures:</b>					
Current:					
Instruction	<b>10,594,691</b>	-	-	<b>273,866</b>	<b>10,868,557</b>
Support services:					
Student	599,763	-	-	-	599,763
Instructional staff	924,989	-	-	-	924,989
Administration	1,710,835	-	96,864	69,285	1,876,984
Operation and maintenance of plant	1,685,318	-	79,758	232,842	1,997,918
Transportation	563,370	-	115,893	15,744	695,007
	<b>5,484,275</b>	-	<b>292,515</b>	<b>317,871</b>	<b>6,094,661</b>
Other expenditures:					
Facilities acquisition	-	-	639,453	-	639,453
Long term debt:					
Principal	-	1,295,000	-	-	1,295,000
Interest and fiscal charges	-	585,065	1,000	-	586,065
AEA flowthrough	710,923	-	-	-	710,923
	<b>710,923</b>	<b>1,880,065</b>	<b>640,453</b>	-	<b>3,231,441</b>
Total expenditures	<b>16,789,889</b>	<b>1,880,065</b>	<b>932,968</b>	<b>591,737</b>	<b>20,194,659</b>
Excess (deficiency) of revenues over (under) expenditures	<b>336,685</b>	<b>(756,876)</b>	<b>1,253,114</b>	<b>(35,604)</b>	<b>797,319</b>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 2,375	\$ -	\$ -	\$ -	\$ 2,375
Interfund transfers in (note 3)	-	1,109,735	-	-	1,109,735
Interfund transfers out (note 3)	-	-	(1,109,735)	-	(1,109,735)
Total other financing sources (uses)	<u>2,375</u>	<u>1,109,735</u>	<u>(1,109,735)</u>	-	<u>2,375</u>
Change in fund balances	339,060	352,859	143,379	(35,604)	799,694
Fund balances beginning of year	1,266,523	2,814,756	3,448,812	532,348	8,062,439
Fund balances end of year	<u>\$ 1,605,583</u>	<u>\$ 3,167,615</u>	<u>\$ 3,592,191</u>	<u>\$ 496,744</u>	<u>\$ 8,862,133</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Change in fund balances - total governmental funds \$ 799,694

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. These costs are not reported in the  
Statement of Activities, but they are allocated over the estimated useful  
lives of the capital assets as depreciation expense in the Statement of Activities.  
The amounts of capital outlay expenditures and depreciation expense in the  
current year are as follows:

Expenditures for capital assets	\$ 537,234
Depreciation expense	<u>(1,259,174)</u>
	(721,940)

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is recognized as  
deferred inflows of resources in the governmental funds. 19,838

The decrease in net position of the Internal Service Fund represents  
an undercharge to the governmental funds and is therefore adjusted  
out of governmental activities. (63)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 1,295,000

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the governmental funds when due. In the Statement of  
Activities, interest expense is recognized as the interest accrues,  
regardless of when it is due. 8,051

The current year District employer share of IPERS contributions are reported  
as expenditures in the governmental funds, but are reported as deferred  
outflows of resources in the Statement of Net Position. 57,520

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

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

Early retirement	\$ 1,743
Pension expense	26,707
Net OPEB liability	<u>66,693</u> \$ <u>95,143</u>
Change in net position of governmental activities	\$ <u><u>1,553,243</u></u>

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS**  
June 30, 2016

	Enterprise Funds			
	School Nutrition	Nonmajor Enterprise	Total	Internal Service
<b>Assets</b>				
Cash and cash equivalents	\$ 144,346	\$ -	\$ 144,346	\$ 1,000
Accounts receivable	446	-	446	-
Inventories	15,108	205,706	220,814	-
Capital assets, net of accumulated depreciation (note 5)	231,437	-	231,437	-
<b>Total assets</b>	<b>391,337</b>	<b>205,706</b>	<b>597,043</b>	<b>1,000</b>
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	72,714	-	72,714	-
<b>Liabilities</b>				
Accounts Payable	3,089	24,672	27,761	-
Interfund payable (note 4)	-	37,133	37,133	1,000
Salaries and benefits payable	2,753	-	2,753	-
Unearned revenue	13,679	-	13,679	-
Net pension liability	228,158	-	228,158	-
<b>Total liabilities</b>	<b>247,679</b>	<b>61,805</b>	<b>309,484</b>	<b>1,000</b>
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	18,989	-	18,989	-
<b>Fund Net Position</b>				
Net investment in capital assets	231,437	-	231,437	-
Unrestricted	(34,054)	143,901	109,847	-
<b>Total fund net position</b>	<b>\$ 197,383</b>	<b>\$ 143,901</b>	<b>\$ 341,284</b>	<b>\$ -</b>

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2016

	Enterprise Funds			
	School Nutrition	Nonmajor Enterprise	Total	Internal Service
Operating revenues:				
Local sources:				
Charges for services	\$ 622,040	\$ -	\$ 622,040	\$ 64,902
Operating expenses:				
Instruction:				
Other instruction:				
Purchased services	-	778	778	-
Support services:				
Purchased services	8,272	-	8,272	64,965
Non-instructional programs:				
Food service operations:				
Salaries	350,336	-	350,336	-
Benefits	106,571	-	106,571	-
Purchased services	16,714	-	16,714	-
Supplies	535,827	-	535,827	-
Depreciation	35,382	-	35,382	-
Other	554	-	554	-
Total operating expenses	1,045,384	-	1,045,384	-
	1,053,656	778	1,054,434	64,965
Operating (loss)	(431,616)	(778)	(432,394)	(63)
Non-operating revenues:				
Interest on investments	119	-	119	-
State sources	7,656	-	7,656	-
Federal sources	357,259	-	357,259	-
Total non-operating revenues	365,034	-	365,034	-
Change in fund net position	(66,582)	(778)	(67,360)	(63)
Fund net position beginning of year	263,965	144,679	408,644	63
Fund net position end of year	\$ 197,383	\$ 143,901	\$ 341,284	\$ -

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	School Nutrition	Nonmajor Enterprise	Total	Internal Service
<b>Cash flows from operating activities:</b>				
Cash received from sale of lunches and breakfasts	\$ 614,636	\$ -	\$ 614,636	\$ -
Cash received from miscellaneous operating activities	8,139	-	8,139	64,902
Cash paid to employees for services	(464,691)	-	(464,691)	-
Cash paid to suppliers for goods or services	(457,872)	(139,160)	(597,032)	(67,268)
Net cash used by operating activities	<u>(299,788)</u>	<u>(139,160)</u>	<u>(438,948)</u>	<u>(2,366)</u>
<b>Cash flows from non-capital financing activities:</b>				
Increase in due to other funds	-	37,133	37,133	1,000
State grants received	7,656	-	7,656	-
Federal grants received	274,385	-	274,385	-
Net cash provided by non-capital financing activities	<u>282,041</u>	<u>37,133</u>	<u>319,174</u>	<u>1,000</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	<u>119</u>	<u>-</u>	<u>119</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	(17,628)	(102,027)	(119,655)	(1,366)
Cash and cash equivalents beginning of year	<u>161,974</u>	<u>102,027</u>	<u>264,001</u>	<u>2,366</u>
Cash and cash equivalents end of year	<u>\$ 144,346</u>	<u>\$ -</u>	<u>\$ 144,346</u>	<u>\$ 1,000</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	Enterprise Funds			
	School Nutrition	Nonmajor Enterprise	Total	Internal Service
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>				
Operating (loss)	\$ (431,616)	\$ (778)	\$ (432,394)	\$ (63)
<b>Adjustments to reconcile operating (loss) to net cash (used by) operating activities:</b>				
Commodities used	82,874	-	82,874	-
Depreciation	35,382	-	35,382	-
(Increase) decrease in inventories	446	(162,799)	(162,353)	-
Decrease in accounts receivable	1,259	-	1,259	-
Increase (decrease) in accounts payable	1,774	24,417	26,191	(2,303)
Increase in salaries and benefits payable	488	-	488	-
Increase in net pension liability	72,580	-	72,580	-
(Increase) in deferred outflows of resources	(22,107)	-	(22,107)	-
(Decrease) in deferred inflows of resources	(40,344)	-	(40,344)	-
Increase in unearned revenue	(524)	-	(524)	-
Increase in deferred inflows of resources				
Net cash used by operating activities	\$ (299,788)	\$ (139,160)	\$ (438,948)	\$ (2,366)

**Non-cash financing activities:**

During the year ended June 30, 2016, the District received \$82,874 of federal commodities.

See notes to financial statements.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS June 30, 2016

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

Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 Cities of Bondurant and Farrar, Iowa, and agricultural territory in Polk and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

**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 service.

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

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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 investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2016 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

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

**Deferred Outflows of Resources** – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) which 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 District after the measurement date but before the end of the District's reporting period.

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The District has no compensated absences liability at June 30, 2016.

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.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unamortized items not yet charged against pension expense.

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

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

Unassigned – All amounts not included in the preceding classifications.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.  
During the year ended June 30, 2016, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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, 2016, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 7,034,981</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAA by Standard & Poor's Financial Services.

At June 30, 2016, the District had the following investments:

Investment	Fair Value
Money Market Mutual Fund	\$ 1,519,596
U.S. Treasury Notes	<u>1,520,000</u>
	<u>\$ 3,039,596</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 2. Cash and Pooled Investments (continued)

The District uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Money Market Mutual Fund of \$1,519,986 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

The recurring fair value measurement for the U.S. Treasury Notes of \$1,520,000 was determined using the last reported sales price at current exchange rates (Level 1 inputs).

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,109,735</u>

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

Note 4. Interfund Receivables/Payables

At June 30, 2016, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental and proprietary funds:		
Other receivables:		
General	Enterprise - Construction Class	\$ 37,133
General	Internal Service, Flex Spending Account	<u>1,000</u>
		\$ <u>38,133</u>

The amount due to the General Fund from the Enterprise, Construction Class Fund is the result of pooled cash balances. The amount due to the General Fund from the Internal Service, Flex Spending Account is the result of final transactions which had not yet been repaid at year-end.

The balances between governmental funds and the Internal Service, Flex Spending Account are not included on the government-wide Statement of Net Position. The balances between governmental and Enterprise funds have been eliminated on the face of the government-wide Statement of Net Position.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,161,901	\$ -	\$ -	\$ 1,161,901
Construction in progress	4,241,329	194,254	4,241,329	194,254
Total capital assets not being depreciated	<u>5,403,230</u>	<u>194,254</u>	<u>4,241,329</u>	<u>1,356,155</u>
<b>Capital assets being depreciated:</b>				
Buildings	37,949,611	-	-	37,949,611
Improvements other than buildings	790,982	4,289,995	-	5,080,977
Furniture and equipment	4,862,908	294,314	470,850	4,686,372
Total capital assets being depreciated	<u>43,603,501</u>	<u>4,584,309</u>	<u>470,850</u>	<u>47,716,960</u>
Less accumulated depreciation for:				
Buildings	7,187,225	742,988	-	7,930,213
Improvements other than buildings	618,171	228,828	-	846,999
Furniture and equipment	3,219,619	287,358	470,850	3,036,127
Total accumulated depreciation	<u>11,025,015</u>	<u>1,259,174</u>	<u>470,850</u>	<u>11,813,339</u>
Total capital assets being depreciated, net	<u>32,578,486</u>	<u>3,325,135</u>	-	<u>35,903,621</u>
Governmental activities capital assets, net	<u>\$ 37,981,716</u>	<u>\$ 3,519,389</u>	<u>\$ 4,241,329</u>	<u>\$ 37,259,776</u>
 <b>Business-type activities:</b>				
Furniture and equipment	\$ 677,874	\$ -	\$ -	\$ 677,874
Less accumulated depreciation	411,055	35,382	-	446,437
Business-type activities capital assets, net	<u>\$ 266,819</u>	<u>\$ (35,382)</u>	<u>\$ -</u>	<u>\$ 231,437</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 59,830
Other	23,656

Support services:

Instructional staff	40,145
Administration	221
Operation and maintenance of plant	12,281
Transportation	<u>130,137</u>
	266,270

Unallocated depreciation

992,904

Total depreciation expense - governmental activities \$ 1,259,174

Business-type activities:

Food service operations \$ 35,382

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 113,452	\$ 30,704	\$ 32,447	\$ 111,709	\$ 32,128
General obligation bonds	7,735,000	-	440,000	7,295,000	465,000
Revenue bonds	10,000,000	-	585,000	9,415,000	590,000
Notes payable	840,000	-	270,000	570,000	280,000
Net pension liability	5,208,493	1,876,103	-	7,084,596	-
Net OPEB liability	452,572	-	66,693	385,879	-
Total	\$ <u>24,349,517</u>	\$ <u>1,906,807</u>	\$ <u>1,394,140</u>	\$ <u>24,862,184</u>	\$ <u>1,367,128</u>
Business-type activities:					
Net pension liability	\$ <u>155,578</u>	\$ <u>72,580</u>	\$ <u>-</u>	\$ <u>228,158</u>	\$ <u>-</u>

Early Retirement

The District occasionally offers a voluntary early retirement plan to all employees. For the three year ended June 30, 2016, the District offered early retirement to administrators only. Eligible employees must have completed ten years of service to the District and be IPERS retirement eligible.

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 6. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2016, the District had obligations to eight participants with a total liability of \$111,709. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$32,097. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2008				
	Interest Rates	Principal	Interest	Total	
2017	4.10 %	\$ 465,000	\$ 310,940	\$ 775,940	
2018	4.10	490,000	291,875	781,875	
2019	4.10	510,000	271,785	781,785	
2020	4.10	535,000	250,875	785,875	
2021-2025	4.10-4.30	3,070,000	904,645	3,974,645	
2026-2028	4.40-4.70	2,225,000	209,080	2,434,080	
		\$ 7,295,000	\$ 2,239,200	\$ 9,534,200	

Bond Refunding Escrow

During the four years ended June 30, 2016, the District levied for additional debt service tax revenues beyond the current year needs. This additional revenue has been placed in an irrevocable escrow account to advance refund \$1,520,000 of the principal due on the July 1, 2008 general obligation bonds when those bonds become callable on June 1, 2018. The bonds will remain on the District's financial statements until the call date. The balance of the escrow fund at June 30, 2016 was \$1,520,000.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2016 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.00 %	\$ 590,000	\$ 214,860	\$ 804,860
2018	2.00	600,000	202,960	802,960
2019	2.00	610,000	190,860	800,860
2020	2.00	620,000	178,560	798,560
2021-2025	2.00-2.10	3,285,000	699,908	3,984,908
2026-2030	2.50-3.00	3,710,000	279,787	3,989,787
		\$ 9,415,000	\$ 1,766,935	\$ 11,181,935

The District pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 bonds issued in June 2013. The bonds were issued for the purpose of financing a portion of the costs of a new K-2 elementary building. 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 and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,181,935. For the current year, principal of \$585,000 and interest of \$226,610 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,615,231.

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2016 capital loan notes indebtedness is as follows:

Year Ending June 30,	Issue dated June 1, 2009				Total
	Interest Rates	Principal	Interest		
2017	3.40 %	\$ 280,000	\$ 20,105	\$ 300,105	
2018	3.65	290,000	10,585	300,585	
		\$ 570,000	\$ 30,690	\$ 600,690	

Note 7. Pension Plan

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

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

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

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 on or after 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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 7. Pension Plan (continued)

**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** – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered pay and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$966,973.

**Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2016, the District reported a liability of \$7,312,754 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.148017 percent, which was an increase of 0.012762 from its proportion measured as of June 30, 2014.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 7. Pension Plan (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$892,875. At June 30, 2016, 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
Difference between expected and actual experience	\$ 110,486	-
Changes of assumptions	201,338	-
Net difference between projected and actual earnings on pension plan investments	-	608,613
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	1,051,751	-
District contributions subsequent to the measurement date	<u>966,973</u>	-
Total	<u>\$ 2,330,548</u>	<u>\$ 608,613</u>

\$966,973 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 ending June 30, 2017. 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 Ending June 30,	Amount
2017	\$ 72,893
2018	72,893
2019	72,893
2020	493,832
2021	<u>42,451</u>
Total	<u>\$ 754,962</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 7. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 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% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29
International Equity	16%	6.75
Private Equity/Debt	11%	11.32
Real Estate	8%	3.48
Credit Opportunities	5%	3.63
U.S. TIPS	5%	1.91
Other Real Assets	2%	6.24
Cash	1%	(0.71)
Total	<hr/> <hr/> 100%	

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 7. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on IPERS' 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%) or 1-percentage-point higher (8.5%) 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	\$ 12,803,317	\$ 7,312,754	\$ 2,678,325

IPERS' Fiduciary Net Position – Detailed information about IPERS' 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).

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 124 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 80,215
Interest on net OPEB obligation	9,609
Adjustment to annual required contribution	(29,248)
Annual OPEB cost	60,576
Contributions made	(59,071)
	1,505
Adjustment for change in actuarial assumptions	(68,198)
Decrease in net OPEB obligation	(66,693)
Net OPEB obligation beginning of year	<u>452,572</u>
Net OPEB obligation end of year	<u>\$ 385,879</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, 2016.

For the year ended June 30, 2016, the District contributed \$59,071 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 67,759	22.4%	\$ 450,369
2015	69,554	96.8%	384,374
2016	60,576	97.5%	385,579

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$469,165, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$469,165. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,546,288, and the ratio of the UAAL to covered payroll was 13.2%. As of June 30, 2016, there were no trust fund assets.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP 2000 Annuity Mortality Table projected to 2015, applied on a 2/3 female, 1/3 male basis.

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

Note 9. Operating Lease

The District entered into an operating lease for sixteen copiers during the year ended June 30, 2015. The lease calls for 60 monthly payments of \$3,715. Payments under this lease agreement began in August, 2015.

Details of the District's obligations under this lease are as follows:

Year Ending June 30,	Amount
2017	\$ 44,581
2018	44,581
2019	44,581
2020	44,581
2021	<u>3,715</u>
Total	<u>\$ 182,039</u>

Total payments under the lease agreement for the year ended June 30, 2016 were \$40,866.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 10. Risk Management

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

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 \$710,923 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 6,539
Gifted and talented programs	5,222
Returning dropouts and dropout prevention programs	57,167
Four year old preschool state aid	133,771
Teacher salary supplement	49,149
Successful progression for early readers	32,451
Professional development for model core curriculum	110,021
Professional development	<u>21,700</u>
Total	<u><u>\$ 416,020</u></u>

Note 13. The Other Construction Projects Fund within the Capital Projects Fund had a deficit balance of \$80,948 at June 30, 2016.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

Note 14. Subsequent Events

On December 1, 2016, the District approved the issuance of \$4,835,000 of general obligation refunding bonds, Series 2016A, and \$4,770,000 of general obligation bonds, Series 2016B, for improvements to the high school and elementary buildings.

The Series 2016A bonds are payable through June 30, 2026 with interest at 2%. They were issued to refund the July 1, 2008 bonds with interest rates from 4.10% to 4.70%. The Series 2016B bonds are payable through June 30, 2036 with interest ranging from 2 to 3%.

On December 21, 2016, the District approved construction bids for the high school addition project totaling \$2,877,400.

On January 9, 2017, the District approved construction bids for the high school addition project totaling \$7,760,416.

Required Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2016

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
<b>REVENUES:</b>						
Local sources	\$ 7,557,653	\$ 622,159	\$ 8,179,812	\$ 9,393,176	\$ 9,393,176	\$ (1,213,364)
State sources	12,974,898	7,656	12,982,554	11,539,350	11,539,350	1,443,204
Federal sources	459,427	357,259	816,686	422,000	422,000	394,686
<b>Total revenues</b>	<b>20,991,978</b>	<b>987,074</b>	<b>21,979,052</b>	<b>21,354,526</b>	<b>21,354,526</b>	<b>624,526</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	10,868,557	778	10,869,335	11,220,000	11,420,000	550,665
Support services	6,094,661	8,272	6,102,933	6,258,000	6,458,000	355,067
Non-instructional programs	-	1,045,384	1,045,384	900,000	1,200,000	154,616
Other expenditures	3,231,441	-	3,231,441	4,726,564	4,026,564	795,123
<b>Total expenditures/expenses</b>	<b>20,194,659</b>	<b>1,054,434</b>	<b>21,249,093</b>	<b>23,104,564</b>	<b>23,104,564</b>	<b>1,855,471</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	797,319	(67,360)	729,959	(1,750,038)	(1,750,038)	2,479,997
Other financing sources, net	2,375	-	2,375	1,021,030	1,021,030	(1,018,655)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	799,694	(67,360)	732,334	(729,008)	(729,008)	1,461,342
Balance beginning of year	8,062,439	408,644	8,471,083	8,022,023	8,022,023	449,060
Balance end of year	<b>\$ 8,862,133</b>	<b>\$ 341,284</b>	<b>\$ 9,203,417</b>	<b>\$ 7,293,015</b>	<b>\$ 7,293,015</b>	<b>\$ 1,910,402</b>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2016

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment but held the expenditure total steady through reclassifications only.

During the year ended June 30, 2016, expenditures/expenses did not exceed the amounts budgeted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*  
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.148017	0.135255
District's proportionate share of the net pension liability	\$ 7,313	\$ 5,364
District's covered-employee payroll	\$ 10,141	\$ 8,850
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

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

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System  
 Last Ten Fiscal Years  
 (In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contributions	\$ 967	\$ 906	\$ 790	\$ 677
Contributions in relation to the statutorily required contribution	<u>(967)</u>	<u>(906)</u>	<u>(790)</u>	<u>(677)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,828	\$ 10,141	\$ 8,850	\$ 7,804
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	590	459	402	386	358	310
	(590)	(459)	(402)	(386)	(358)	(310)
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	7,317	6,614	6,050	6,076	5,918	5,418
	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2016

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 1,073	\$ 1,073	0.0%	\$ 6,230	17.2%
2011	July 1, 2009	-	1,073	1,073	0.0%	6,718	16.0%
2012	July 1, 2009	-	1,073	1,073	0.0%	7,448	14.4%
2013	July 1, 2012	-	499	499	0.0%	2,744	18.2%
2014	July 1, 2012	-	480	480	0.0%	2,749	17.5%
2015	July 1, 2012	-	460	460	0.0%	3,009	15.3%
2016	July 1, 2015	-	469	469	0.0%	3,546	13.2%

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.

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Supplementary Information

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2016

	Special Revenue		
	Management	Student	Total
	Levy	Activity	
<b>Assets</b>			
Cash and pooled investments	\$ 414,394	\$ 93,891	\$ 508,285
Receivables:			
Property tax:			
Current year	942	-	942
Succeeding year	275,000	-	275,000
Accounts	-	5,915	5,915
Total assets	<u>690,336</u>	<u>99,806</u>	<u>790,142</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 369	\$ 15,979	\$ 16,348
Advances from others	500	1,550	2,050
Total liabilities	<u>869</u>	<u>17,529</u>	<u>18,398</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Fund balances:			
Restricted for:			
Management levy purposes	414,467	-	414,467
Student activities	-	82,277	82,277
Total fund balances	<u>414,467</u>	<u>82,277</u>	<u>496,744</u>
Total liabilities, deferred inflows of resources and fund balances	<u>690,336</u>	<u>99,806</u>	<u>790,142</u>

See accompanying independent auditor's report.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	Special Revenue		
	Management	Student	Total
	Levy	Activity	
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 233,605	\$ -	\$ 233,605
Other	29,198	289,002	318,200
State sources	4,328	-	4,328
Total revenues	267,131	289,002	556,133
<b>Expenditures:</b>			
Current:			
Instruction	768	273,098	273,866
Support services:			
Student			-
Instructional staff			-
Administration	69,285	-	69,285
Operation and maintenance of plant	232,842	-	232,842
Transportation	15,744		15,744
Total expenditures	318,639	273,098	591,737
Excess (deficiency) of revenues over (under) expenditures	(51,508)	15,904	(35,604)
Fund balances beginning of year	465,975	66,373	532,348
Fund balances end of year	\$ 414,467	\$ 82,277	\$ 496,744

See accompanying independent auditor's report.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

**COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS**  
June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,815,013	\$ 589,936	\$ 51,877	\$ 3,456,826
Receivables:				
Property tax:				
Current year	-	2,212	-	2,212
Succeeding year	-	589,026	-	589,026
Due from other governments	265,978	-	-	265,978
Total assets	<u>\$ 3,080,991</u>	<u>\$ 1,181,174</u>	<u>\$ 51,877</u>	<u>\$ 4,314,042</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ _____ -	\$ _____ -	\$ 132,825	\$ 132,825
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	589,026	-	589,026
Fund balances:				
Restricted for:				
School infrastructure	3,080,991	-	(80,948)	3,000,043
Physical plant and equipment	-	592,148	-	592,148
Total fund balances	<u>3,080,991</u>	<u>592,148</u>	<u>(80,948)</u>	<u>3,592,191</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,080,991</u>	<u>\$ 1,181,174</u>	<u>\$ 51,877</u>	<u>\$ 4,314,042</u>

See accompanying independent auditor's report.

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS ACCOUNTS**  
Year Ended June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ -	\$ 558,228	\$ -	\$ 558,228
Other	1,801	813	78	2,692
State sources	<u>1,615,231</u>	<u>9,931</u>	<u>-</u>	<u>1,625,162</u>
Total revenues	<u>1,617,032</u>	<u>568,972</u>	<u>78</u>	<u>2,186,082</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Administration	55,000	41,864	-	96,864
Operation and maintenance of plant	79,758	-	-	79,758
Transportation	-	115,893	-	115,893
Other expenditures:				
Facilities acquisition	225,358	39,335	374,760	639,453
Long term debt:				
Fiscal charges	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>361,116</u>	<u>197,092</u>	<u>374,760</u>	<u>932,968</u>
Excess (deficiency) of revenues over (under) expenditures	1,255,916	371,880	(374,682)	1,253,114
<b>Other financing sources (uses):</b>				
Intrafund transfers in *	-	-	121,684	121,684
Intrafund transfers out *	(121,684)	-	-	(121,684)
Interfund transfers out	(810,760)	(298,975)	-	(1,109,735)
Total other financing sources (uses)	<u>(932,444)</u>	<u>(298,975)</u>	<u>121,684</u>	<u>(1,109,735)</u>
Change in fund balances	323,472	72,905	(252,998)	143,379
Fund balances beginning of year	<u>2,757,519</u>	<u>519,243</u>	<u>172,050</u>	<u>3,448,812</u>
Fund balances end of year	<u>\$ 3,080,991</u>	<u>\$ 592,148</u>	<u>\$ (80,948)</u>	<u>\$ 3,592,191</u>

See accompanying independent auditor's report.

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

## BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 5,515	\$ 2,056	\$ 3,053	\$ 4,518
HS Play	4,901	1,484	1,468	4,917
Speech	907	182	3,097	(2,008)
Vocal Music	1,673	2,169	3,842	-
Instrumental Music	1,374	-	920	454
Instrumental Music Resale	(1,157)	10,442	11,829	(2,544)
Cheerleaders	1,476	8,990	7,265	3,201
Jayz Danz Drill Team	(1,195)	2,074	879	-
Jayz Danz Resale	597	-	-	597
General Athletics	23,440	203,073	195,902	30,611
Prom Account	2,560	5,990	4,012	4,538
High School Students in Need	1,031	-	-	1,031
Jump Rope for Heart	1,951	-	-	1,951
Honor Society	(269)	637	368	-
3rd Grade Bubble Account	1,563	-	-	1,563
Yearbook - HS	(10,342)	4,555	1,943	(7,730)
Art Club	1,293	820	993	1,120
Industrial Tech - Donations	3	-	-	3
FCCLA	(155)	-	546	(701)
FBLA	3,055	7,638	6,812	3,881
Student Council	4,530	5,014	6,085	3,459
Middle School Student Council	3,023	15,728	11,780	6,971
Robotics	-	5,012	-	5,012
General Activity - HS	-	158	158	-
After School Activities	4,455	10,100	4,889	9,666
Middle School Vocal Music	1,368	-	1,368	-
Yearbook - MS	3,124	725	-	3,849
Elementary Students in Need	3,968	-	-	3,968
Elementary Yearbook	6,602	2,155	5,849	2,908
Best Rewards	1,042	-	-	1,042
Swing Choir	40	-	40	-
Total	\$ 66,373	\$ 289,002	\$ 273,098	\$ 82,277

See accompanying independent auditor's report.

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2016	2015	2014	2013
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,881,168	\$ 5,331,255	\$ 5,371,175	\$ 6,292,068
Tuition	962,912	875,767	803,354	834,199
Other	713,573	805,576	660,680	680,433
Intermediate sources	-	-	-	-
State sources	12,974,898	12,085,928	10,501,047	8,289,088
Federal sources	459,427	459,588	433,423	557,872
Total revenues	<u>\$ 20,991,978</u>	<u>\$ 19,558,114</u>	<u>\$ 17,769,679</u>	<u>\$ 16,653,660</u>
<b>Expenditures:</b>				
Instruction	\$ 10,868,557	\$ 10,592,170	\$ 9,620,521	\$ 8,613,650
Support services:				
Student	599,763	552,968	472,634	446,986
Instructional staff	924,989	782,579	860,996	702,125
Administration	1,876,984	1,860,391	1,591,220	1,427,516
Operation and maintenance of plant	1,997,918	1,822,454	1,952,144	1,245,432
Transportation	695,007	667,891	877,963	501,329
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	639,453	2,185,104	11,297,795	2,618,208
Long-term debt:				
Principal	1,295,000	685,000	660,000	640,000
Interest and fiscal charges	586,065	617,555	541,920	558,464
AEA flowthrough	710,923	657,374	572,519	519,255
Total expenditures	<u>\$ 20,194,659</u>	<u>\$ 20,423,486</u>	<u>\$ 28,447,712</u>	<u>\$ 17,272,965</u>

See accompanying independent auditor's report.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 6,145,860	\$ 5,849,710	\$ 5,347,324	\$ 5,170,202	\$ 4,106,306	\$ 3,971,159	
821,359	778,465	605,033	663,116	553,353	546,397	
691,251	598,409	625,768	867,982	504,852	550,028	
-	-	-	-	17,481	-	
7,918,124	7,064,590	5,743,746	6,383,061	5,743,142	5,065,455	
<u>2,178,299</u>	<u>663,546</u>	<u>871,680</u>	<u>251,757</u>	<u>129,774</u>	<u>140,591</u>	
<u>\$ 17,754,893</u>	<u>\$ 14,954,720</u>	<u>\$ 13,193,551</u>	<u>\$ 13,336,118</u>	<u>\$ 11,054,908</u>	<u>\$ 10,273,630</u>	
\$ 8,063,602	\$ 7,124,370	\$ 6,470,346	\$ 6,637,404	\$ 6,621,838	\$ 5,956,907	
357,554	328,199	322,503	279,266	322,291	438,911	
782,534	587,698	382,706	366,299	275,477	271,626	
1,209,255	1,195,895	1,058,486	1,020,673	990,542	986,305	
1,421,923	1,147,673	934,173	819,473	947,590	952,297	
617,343	431,316	448,597	313,474	299,955	363,546	
-	-	-	-	-	4,743	
3,371,310	1,183,694	6,630,208	6,198,992	293,924	93,815	
620,000	595,000	1,140,000	895,000	770,000	795,000	
446,448	463,690	488,832	473,664	97,597	129,012	
<u>486,057</u>	<u>491,354</u>	<u>459,931</u>	<u>403,005</u>	<u>364,846</u>	<u>330,110</u>	
<u>\$ 17,376,026</u>	<u>\$ 13,548,889</u>	<u>\$ 18,335,782</u>	<u>\$ 17,407,250</u>	<u>\$ 10,984,060</u>	<u>\$ 10,322,272</u>	

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

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

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Purpose of this Report

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

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

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
January 27, 2017

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

Part I: Finding Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting:

- II-A-16 Certified Budget – Expenditures/expenses for the year ended June 30, 2016, did not exceed the amounts budgeted.
- II-B-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-16 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-16 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and <u>Business Connection</u>	Transaction Description	<u>Amount</u>
Mike Ugulini, Spouse of Board President	Spring mowing	\$423
Tom Looft, Board Member	Painting services	\$750

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member Looft does not appear to represent a conflict of interest since the cumulative amount does not exceed \$2,500 for the fiscal year. The transaction with the Board President's spouse does not represent a conflict of interest according to an Attorney General's opinion dated November 9, 1976.

- II-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-16 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-16 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

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

II-K-16 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-16 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$ 2,757,519
Revenues:	
Other local revenues	\$ 1,801
Statewide sales, services and use tax	<u>1,615,231</u> 1,617,032
Expenditures/transfers out:	
School infrastructure construction	42,012
Equipment	134,758
Other	184,346
Transfers to other funds:	
Debt Service Fund	810,760
Other transfers	<u>121,684</u> 1,293,560
Ending balance	\$ <u>3,080,991</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

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

- II-M-16 Financial Condition – At June 30, 2016, the governmental activities and the Enterprise, School Nutrition Fund had deficit unrestricted net positions of \$4,367,834 and \$34,054, respectively. These deficit balances were caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District's proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District's financial statements. In addition, the Other Capital Projects account within the Capital Projects Fund had a deficit balance of \$80,948 at June 30, 2016 and the nonmajor Special Revenue, Student Activity Fund had four deficit balances within the group of single activity balances.

Recommendation – Even though the deficits arose due to the net pension liability, deferred outflows of resources, and deferred inflows of resources, the District should investigate ways to return the governmental activities and the School Nutrition Fund to sound financial conditions. The District should also monitor the Other Capital Projects account and Student Activity Fund accounts and investigate ways to eliminate the deficit balances.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District's proportionate share of the IPERS liability and the related deferred outflows of resources and deferred inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities and the School Nutrition Fund to sound financial conditions. We will also monitor the Other Capital Projects account and the activity accounts more closely and work to eliminate all deficit balances.

Conclusion – Response accepted.

- II-N-15 Interfund Loans – We noted during our audit that the District had interfund loans between the General Fund, the Enterprise, Construction Class Fund, and the Internal Service, Flex Plan Fund which were included on the balance sheet for the year ended June 30, 2016. However, the loans were not approved by Board resolution and did not include interest.

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

Recommendation – All interfund loans including those arising from negative cash balances should be approved by Board resolution, include interest, and be repaid timely to comply with the declaratory order.

Response – We will follow the Iowa Department of Education's declaratory order in the future for any interfund loans.

Conclusion – Response accepted.