

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Boyden-Hull Community School District

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Mark Warntjes	President	September, 2006
Brenda Westra	Vice President	September, 2004
Joel Heitritter	Board Member	September, 2005
Douglas Beukelman	Board Member	September, 2006
Nancy Dykstra	Board Member	September, 2005
Board of Education		
(After September 2004 Election)		
Mark Warntjes	President	September, 2006
Brenda Westra	Vice President	September, 2007
Joel Heitritter	Board Member	September, 2005
Douglas Beukelman	Board Member	September, 2006
Nancy Dykstra	Board Member	September, 2005
School Officials		
Craig Scott	Superintendent	June 30, 2005
Sue Huls	District Secretary/Treasurer/ Business Manager	June 30, 2005
John De Koster	Attorney	Indefinite

SIEBRECHT & CO., PC
Certified Public Accountants

MEMBERS OF
American Institute of CPAs
Private Companies Practice Section
Iowa Society of CPAs

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Independent Auditor's Report

To the Board of Education of
Boyden-Hull Community School District:

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 Boyden-Hull Community School District, Boyden-Hull, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Boyden-Hull Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2005, on our consideration of Boyden-Hull Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyden-Hull Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SIEBRECHT & CO., PC
Certified Public Accountants

Sioux Center, Iowa
November 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boyden-Hull 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,367,560 in fiscal 2004 to \$4,832,560 in fiscal 2005, while General Fund expenditures increased from \$4,337,598 in fiscal 2004 to \$4,662,355 in fiscal 2005. The District's General Fund balance increased from \$332,605 in fiscal 2004 to \$504,227 in fiscal 2005, a 52% increase.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Boyden-Hull 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 Boyden-Hull 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 Boyden-Hull 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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

*Figure A-1
Sample GASB 34 Community School District Annual Financial Report*

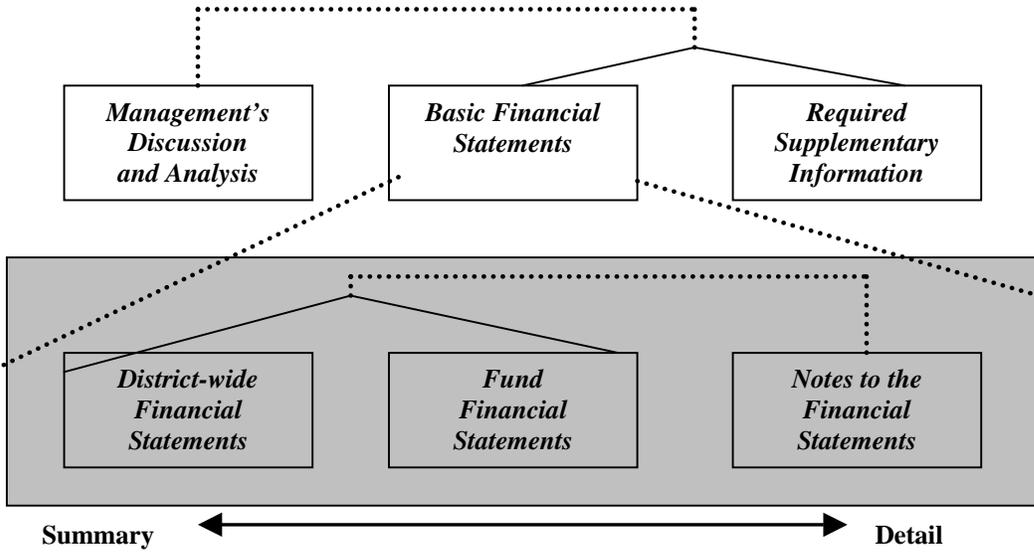


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds: the School Nutrition Fund and the Employee Cafeteria Fund (section 125 plan).

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005, compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$3,165,749	2,712,313	\$26,514	39,782	\$3,192,263	2,752,095	16.0%
Capital assets	<u>3,969,600</u>	<u>4,027,596</u>	<u>7,521</u>	<u>796</u>	<u>3,977,121</u>	<u>4,028,392</u>	-1.3%
Total assets	<u>7,135,349</u>	<u>6,739,909</u>	<u>34,035</u>	<u>40,578</u>	<u>7,169,384</u>	<u>6,780,487</u>	<u>5.7%</u>
Long-term liabilities	2,470,773	2,622,771	0	0	2,470,773	2,622,771	-5.8%
Other liabilities	<u>2,143,535</u>	<u>2,144,123</u>	<u>5,302</u>	<u>7,518</u>	<u>2,148,837</u>	<u>2,151,641</u>	<u>-0.1%</u>
Total liabilities	<u>4,614,308</u>	<u>4,766,894</u>	<u>5,302</u>	<u>7,518</u>	<u>4,619,610</u>	<u>4,774,412</u>	<u>-3.2%</u>
Net assets:							
Invested in capital assets, net of related debt	1,394,599	1,387,346	7,521	796	1,402,120	1,388,142	1.0%
Restricted	590,456	280,031	0	0	590,456	280,031	110.9%
Unrestricted	<u>535,986</u>	<u>305,638</u>	<u>21,212</u>	<u>32,264</u>	<u>557,198</u>	<u>337,902</u>	<u>64.9%</u>
Total net assets	<u>\$2,521,041</u>	<u>1,973,015</u>	<u>\$ 28,733</u>	<u>33,060</u>	<u>\$2,549,774</u>	<u>2,006,075</u>	<u>27.1%</u>

The District's combined net assets increased by approximately 27.0%, or \$544,000, over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$310,500, or 110.9% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and the collection of School Infrastructure Local Option Sales and Services Tax.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$220,000, or 65%. This increase in unrestricted net assets was a result of the District accumulating more cash reserves to meet its financial obligations during future years.

Figure A-4 shows the change in net assets for the year ended June 30, 2005.

Figure A-4 Changes in Net Assets			
Governmental Activities Year ended June 30,			
	2005	2004	Change
Revenues:			
Program revenues:			
Charges for service	\$ 418,405	411,795	6,610
Operating grants, contributions and restricted interest	704,818	580,882	123,936
Capital grants, contributions and restricted interest	24,937	731	24,206
General revenues:			
Property tax	1,827,282	1,952,114	(124,832)
Local option sales and services tax	365,303	149,473	215,830
Instructional support surtax	105,959	97,181	8,778
Unrestricted state grants	2,252,600	1,886,821	365,779
Unrestricted investment earnings	15,743	11,860	3,883
Other	40,143	8,809	31,334
Total revenues	5,755,190	5,099,666	655,524
Program expenses:			
Governmental activities:			
Instruction	3,553,786	3,125,868	427,918
Support services	1,223,599	1,210,547	13,052
Non-instructional programs	26,446	7,176	19,270
Other expenses	403,333	641,718	(238,385)
Total expenses	5,207,164	4,985,309	221,855
Change in net assets	\$ 548,026	114,357	433,669
Business Type Activities Year ended June 30			
	2005	2004	Change
Revenues:			
Program revenues:			
Charges for service	\$ 176,309	180,557	(4,248)
Operating grants, contributions and restricted interest	110,553	107,226	3,327
General revenues:			
Unrestricted investment earnings	59	30	29
Total revenues	286,921	287,813	(892)
Program expenses:			
Governmental activities:			
Non-instructional programs	244,048	228,856	15,192
Other expenses	47,200	52,200	(5,000)
Total expenses	291,248	281,056	10,192
Change in net assets	\$ (4,327)	6,757	(11,084)

	Change in Net Assets All Activities Year ended June 30,		
	2005	2004	Change
Revenues:			
Program revenues:			
Charges for service	\$ 594,714	592,352	2,362
Operating grants, contributions and restricted interest	815,371	688,108	127,263
Capital grants, contributions and restricted interest	24,937	731	24,206
General revenues:			
Property tax	1,827,282	1,952,114	(124,832)
Local option sales and services tax	365,303	149,473	215,830
Instructional support surtax	105,959	97,181	8,778
Unrestricted state grants	2,252,600	1,886,821	365,779
Unrestricted investment earnings	15,802	11,890	3,912
Other	40,143	8,809	31,334
Total revenues	6,042,111	5,387,479	654,632
Program expenses:			
Governmental activities:			
Instruction	3,553,786	3,125,868	427,918
Support services	1,223,599	1,210,547	13,052
Non-instructional programs	270,494	236,032	34,462
Other expenses	450,533	693,918	(243,385)
Total expenses	5,498,412	5,266,365	232,047
Change in net assets	\$ 543,699	121,114	422,585

The District's net assets increased by approximately \$544,000 during the year. Revenues for the District increase by approximately \$655,000 over the prior year, with local option sales tax receipts increasing approximately \$216,000 and State aid and grants increasing approximately \$365,779.

The District's overall cost for the year increased approximately \$232,000 during the year. The majority of the increase was for capital improvements and an overall increase of salaries and benefits.

Property tax, local option sales tax, instructional support surtax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,755,190 and expenses were \$5,207,164. The District was able to balance the budget.

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 and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,553,786	2,632,485
Support services	1,223,599	1,216,518
Non-instructional programs	26,446	26,446
Other expenses	403,333	183,555
Totals	\$ 5,207,164	4,059,004

- The cost financed by users of the District’s programs was \$418,405.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$704,818.
- The net cost of governmental activities was financed with \$2,192,585 in property and other taxes and \$2,252,600 in unrestricted state grants.

Business Type Activities

Revenues for business type activities (food service) were \$239,662 and expenses were \$244,048. Revenues for the business type activities (employee cafeteria) were \$47,200 and expenses were \$47,200. The District’s business type activities include the School Nutrition Fund and the Employee Cafeteria Fund (section 125 plan). Revenues of the Nutrition Fund include charges for service, federal and state reimbursements and investment income. Revenues of the Employee Cafeteria Fund include withholding from employees’ paychecks to cover out-of-pocket medical expense and child care.

INDIVIDUAL FUND ANALYSIS

As previously noted, Boyden-Hull 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 the District completed the year, its governmental funds reported a combined fund balance of \$1,185,955, well above last year’s ending fund balance of \$718,282. The primary reason for the increase is the accumulation of the local option sales and services tax and a decrease in expenditures in the Property Plant and Equipment Levy Fund.

Governmental Fund Highlights

- The District’s General Fund financial position improved by approximately 34% due to the revenues in the General Fund increasing more than the expenditures.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$130,557 to \$217,205 in fiscal 2005. The District decreased expenditures out of this fund.
- The Capital Projects Fund (including the local option sales tax dollars) balance increased from \$156,474 to \$373,250. The District collected \$365,303 in local option sales taxes and transferred \$147,100 into other fund for debt service and plant maintenance, both of which are approved uses of the funds.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$33,060 at June 30, 2004 to \$28,733 at June 30, 2005, representing a decrease of approximately 13%. The District costs increased during the year.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year.

The District’s receipts were \$193,220 more than budgeted receipts a variance of 3.3%. The most significant variance resulted from the District not budgeting high enough for receipt of Federal funds.

The expenditures were less than budgeted. It is the District’s practice to budget expenditures at or just above anticipated expenditures. The District then manages or controls General Fund spending through its line-item budget. If the District believes it may exceed the budget, then a budget amendment is done.

In spite of the District’s budgetary practice, the certified budget was exceeded in the non-instruction program and the other expenditures functional areas. The District’s overall budget was not exceeded during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$3,977,121, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6.) This represents a net decrease of 1.2% from last year. More detailed information about the District’s capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$191,149.

The original cost of the District’s capital assets was \$6,618,846. Governmental funds account for \$6,567,250, with the remainder of \$51,596 accounted for in the Proprietary, School Nutrition Fund.

The 1.2% decrease in capital assets, net of accumulated depreciation is due to depreciation expense for the year. The District only had small additions to capital assets this year.

Figure A-6 Capital Assets, net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 318,751	318,751	\$ 0	0	\$ 318,751	318,751	0.0%
Land improvements	5,632	3,085	0	0	5,632	3,085	82.5%
Buildings	222,337	233,906	0	0	222,337	233,906	5.0%
Improvements and other buildings	3,040,219	3,112,110	0	0	3,040,219	3,112,110	-2.3%
Furniture and equipment	382,661	359,744	7,521	796	390,182	360,540	6.1%
Totals	\$ 3,969,600	4,027,596	\$7,521	796	\$ 3,977,121	4,028,392	-1.3%

Long-Term Debt

At June 30, 2005, the District had \$2,575,000 in general obligation bond debt. This represents a decrease of approximately 5% from last year. (See Figure A-7.) Additional information about the District’s long-term debt is presented in Note 7 to the financial statements.

The only activity in the long-term debt was the retirement of the current bonds payable, which amounted to \$125,000.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30, 2005	2004	June 30, 2004-2005
General obligation bonds	\$ 2,575,000	2,700,000	-4.6%
Early retirement	30,773	47,771	-35.6%
Totals	\$ 2,605,773	2,747,771	-5.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could have a positive or negative affect on the financial health in the future:

The District enrollment has increased over the past three years. The District believes that enrollment should be stable over the next few years, possibly increasing or decreasing a small amount each year.

The District has evaluated the condition of its transportation equipment and all vehicles appear to be in good to excellent condition. The District does plan on replacing two higher mileage passenger vehicles next year. The District also plans on finishing the new parking lot at the Boyden school. In the next three to five years the District plans to replace the roof on and the boiler in the original Hull building. The cost for the roof replacement is estimated at approximately \$225,000 and the boiler replacement is estimated at approximately \$50,000. Both of these projects would be paid for with funds for the property plant and equipment levy and local option sales tax dollars.

The District has an on going one-year contract with the Boyden-Hull Education Association. The District is in current negotiations with the Association and anticipates that any additional payroll costs should be covered by an increase in funding from the state.

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 Sue Huls, District Secretary/Treasurer and Business Manager, Boyden-Hull Community School District, 801 1st Street, Hull, Iowa 51239.

Basic Financial Statements

Boyden-Hull Community School District
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$1,067,199	15,899	1,083,098
Receivables:			
Property tax:			
Delinquent	22,526	0	22,526
Succeeding year	1,796,564	0	1,796,564
Income surtax:			
Succeeding year	105,385	0	105,385
Accounts	9,085	250	9,335
Due from other governments	164,990	0	164,990
Inventories	0	10,365	10,365
Capital assets, net of accumulated Depreciation	3,969,600	7,521	3,977,121
Total assets	7,135,349	34,035	7,169,384
Liabilities			
Accounts payable	41,217	5,302	46,519
Due to other governments	33,792	0	33,792
Accrued interest payable	9,951	0	9,951
Accrued compensated absences	4,628	0	4,628
Deferred revenue:			
Succeeding year property tax	1,796,564	0	1,796,564
Succeeding year income surtax	105,385	0	105,385
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	0	135,000
Salaries and benefits payable	16,998	0	16,998
Portion due after one year:			
General obligation bonds payable	2,440,000	0	2,440,000
Early retirement payable	30,773	0	30,773
Total liabilities	4,614,308	5,302	4,619,610
Net assets			
Investment in capital assets, net of related debt	1,394,599	7,521	1,402,120
Restricted for:			
Physical plant and equipment levy	217,206	0	217,206
Capital projects - Local option sales tax	373,250	0	373,250
Unrestricted	535,986	21,212	557,198
Total net assets	\$2,521,041	28,733	2,549,774

See notes to financial statements.

Boyden-Hull Community School District
Statement of Activities
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$2,415,916	224,986	449,339	0	(1,741,591)	0	(1,741,591)
Special instruction	804,400	78,387	43,199	0	(682,814)	0	(682,814)
Other instruction	333,470	107,951	1,539	15,900	(208,080)	0	(208,080)
	3,553,786	411,324	494,077	15,900	(2,632,485)	0	(2,632,485)
Support services:							
Student services	170,471	0	0	0	(170,471)	0	(170,471)
Administration services	510,692	0	0	0	(510,692)	0	(510,692)
Operation and maintenance of plant services	332,350	7,081	0	0	(325,269)	0	(325,269)
Transportation services	210,086	0	0	0	(210,086)	0	(210,086)
	1,223,599	7,081	0	0	(1,216,518)	0	(1,216,518)
Non-instructional programs	26,446	0	0	0	(26,446)	0	(26,446)
Other expenditures:							
Facilities acquisition	67,055	0	0	9,037	(58,018)	0	(58,018)
Long-term debt interest	125,537	0	0	0	(125,537)	0	(125,537)
AEA flowthrough	210,741	0	210,741	0	0	0	0
	403,333	0	210,741	9,037	(183,555)	0	(183,555)
Total governmental activities	5,207,164	418,405	704,818	24,937	(4,059,004)	0	(4,059,004)
Business type activities:							
Non-instructional programs:							
Food service operations	244,048	129,109	110,553	0	0	(4,386)	(4,386)
Other expenses:							
Medical claims for employees	47,200	47,200	0	0	0	0	0
Total business type activities	291,248	176,309	110,553	0	0	(4,386)	(4,386)
Total	\$5,498,412	594,714	815,371	24,937	(4,059,004)	(4,386)	(4,063,390)
General Revenues:							
Property tax levied for:							
General purposes					\$1,518,686	0	1,518,686
Debt service					203,522	0	203,522
Capital outlay					105,074	0	105,074
Local option sales and services tax					365,303	0	365,303
Instructional support surtax					105,959	0	105,959
Unrestricted state grants					2,252,600	0	2,252,600
Unrestricted investment earnings					15,743	59	15,802
Other					40,143	0	40,143
Total general revenues					4,607,030	59	4,607,089
Change in net assets					548,026	(4,327)	543,699
Net assets beginning of year, as restated					1,973,015	33,060	2,006,075
Net assets end of year					\$2,521,041	28,733	2,549,774

See notes to financial statements.

Boyden-Hull Community School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Debt Service	Property, Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total
Assets						
Cash and pooled investments:						
Other	\$ 428,759	3,669	216,070	336,414	82,287	1,067,199
Receivables:						
Property tax:						
Delinquent	17,972	2,516	1,299	0	739	22,526
Succeeding year	1,499,552	104,407	102,605	0	90,000	1,796,564
Income Surtax:						
Succeeding year	63,231	0	42,154	0	0	105,385
Accounts	3,722	0	0	0	5,363	9,085
Due from other governments	128,154	0	0	36,836	0	164,990
Total assets	\$ 2,141,390	110,592	362,128	373,250	178,389	3,165,749
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 40,588	0	164	0	465	41,217
Salaries and benefits payable	0	0	0	0	2,836	2,836
Due to other governments	33,792	0	0	0	0	33,792
Deferred revenue:						
Succeeding year property tax	1,499,552	104,407	102,605	0	90,000	1,796,564
Succeeding year income surtax	63,231	0	42,154	0	0	105,385
Total liabilities	1,637,163	104,407	144,923	0	93,301	1,979,794
Fund balances:						
Reserved for:						
Debt service	0	6,185	0	0	0	6,185
Property plant and equipment levy	0	0	217,205	0	0	217,205
Capital project (local option sales tax)	0	0	0	373,250	0	373,250
Unreserved	504,227	0	0	0	85,088	589,315
Total fund balances	504,227	6,185	217,205	373,250	85,088	1,185,955
Total liabilities and fund balances	\$ 2,141,390	110,592	362,128	373,250	178,389	3,165,749

See notes to financial statements.

Boyden-Hull Community School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Assets
 June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$1,185,955
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,969,599
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,951)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,624,562)
 Net assets of governmental activities (Exhibit A)	 <u>\$ 2,521,041</u>

See notes to financial statements.

Boyden-Hull Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	General	Debt Service	Property, Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 1,522,251	203,522	147,457	365,302	60,011	2,298,543
Tuition	251,351	0	0	0	0	251,351
Other	109,704	0	5,873	5,666	126,701	247,944
State sources	2,678,444	214	6,364	0	47	2,685,069
Federal sources	270,810	0	0	0	0	270,810
Total revenues	4,832,560	203,736	159,694	370,968	186,759	5,753,717
Expenditures:						
Current:						
Instruction:						
Regular instruction	2,288,927	0	25,249	0	0	2,314,176
Special instruction	804,400	0	0	0	0	804,400
Other instruction	202,903	0	0	0	133,272	336,175
	3,296,230	0	25,249	0	133,272	3,454,751
Support services:						
Student services	64,445	0	0	0	0	64,445
Instructional staff services	108,945	0	0	0	0	108,945
Administration services	465,585	0	0	0	60,641	526,226
Operation and maintenance of plant services	313,892	0	30,872	209	0	344,973
Transportation services	172,749	0	56,750	0	0	229,499
	1,125,616	0	87,622	209	60,641	1,274,088
Non-instructional programs	29,768	0	0	0	0	29,768
Other expenditures:						
Facilities acquisition	0	0	60,208	6,847	0	67,055
Long-term debt:						
Principal	0	125,000	0	0	0	125,000
Interest and fiscal charges	0	126,058	0	0	0	126,058
AEA flowthrough	210,741	0	0	0	0	210,741
	210,741	251,058	60,208	6,847	0	528,854
Total expenditures	4,662,355	251,058	173,079	7,056	193,913	5,287,461
Excess (deficiency) of revenues over (under) expenditures	170,205	(47,322)	(13,385)	363,912	(7,154)	466,256
Other financing sources (uses):						
Operating transfers in	0	47,100	100,033	0	0	147,133
Operating transfers out	0	0	0	(147,133)	0	(147,133)
Other	1,417	0	0	0	0	1,417
Total other financing sources (uses)	1,417	47,100	100,033	(147,133)	0	1,417
Net change in fund balances	171,622	(222)	86,648	216,779	(7,154)	467,673
Fund balances beginning of year	332,605	6,407	130,557	156,471	92,242	718,282
Fund balances end of year	\$ 504,227	6,185	217,205	373,250	85,088	1,185,955

. See notes to financial statements.

Boyden-Hull 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, 2005

Net change in fund balances – total governmental funds (Exhibit E) \$467,673

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

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

Expenditures for capital assets	\$133,151	
Depreciation expense	<u>(191,149)</u>	(57,998)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid	<u>125,000</u>	125,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (521)

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	12,614	
Compensated absences	<u>1,258</u>	<u>13,872</u>

Change in net assets of governmental activities (Exhibit B) \$548,026

See notes to financial statements.

Boyden-Hull Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2005

	School Nutrition	Employee Cafeteria	Total
Assets			
Cash and cash equivalents	\$ 10,847	5,052	15,899
Accounts receivable	0	250	250
Due from other fund	0	0	0
Inventories	10,365	0	10,365
Capital assets, net of accumulated depreciation	7,521	0	7,521
Total assets	28,733	5,302	34,035
Liabilities			
Accounts payable	0	5,302	5,302
Salaries and benefits payable	0	0	0
Total liabilities	0	5,302	5,302
Net Assets			
Invested in capital assets, net of related debt	7,521	0	7,521
Unrestricted	21,212	0	21,212
Total net assets	\$ 28,733	0	28,733

See notes to financial statements.

Boyden-Hull Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2005

	School Nutrition	Employee Cafeteria	Total
Operating revenues:			
Local sources:			
Charge for service	\$ 129,109	0	129,109
Reimbursement from employees	0	47,200	47,200
Total operating revenues	129,109	47,200	176,309
Operating expenses:			
Non-instructional programs:			
Salaries and benefits	102,725	0	102,725
Purchased services	215	0	215
Supplies	139,462	0	139,462
Depreciation	1,645	0	1,645
Total operating expenses	244,047	0	244,047
Other expenses:			
Medical claims for employees	0	47,200	47,200
Total expenses	244,047	47,200	291,247
Operating loss	(114,938)	0	(114,938)
Non-operating revenues:			
Local sources	59	0	59
State sources	3,877	0	3,877
Federal sources	106,675	0	106,675
Total non-operating revenues	110,611	0	110,611
Change in net assets	(4,327)	0	(4,327)
Net assets beginning of year	33,060	0	33,060
Net assets end of year	\$ 28,733	0	28,733

See notes to financial statements.

Boyden-Hull Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	School Nutrition	Employee Cafeteria	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 129,109	0	129,109
Cash received from employee reimbursements	0	47,330	47,330
Cash payments to employees for medical claims	0	(49,416)	(49,416)
Cash payments to employees for services	(102,725)	0	(102,725)
Cash payments to suppliers for goods and services	(114,995)	0	(114,995)
Net cash provided by (used in) operating activities	<u>(88,611)</u>	<u>(2,086)</u>	<u>(90,697)</u>
Cash flows from non-capital financing activities:			
State grants received	3,877	0	3,877
Federal grants received	84,631	0	84,631
Net cash provided by (used in) non-capital financing activities	<u>88,508</u>	<u>0</u>	<u>88,508</u>
Cash flows form capital and related financing activities:			
Sale of capital assets	0	0	0
Acquisition of capital assets	(7,529)	0	(7,529)
Net cash provided by (used by) capital and related financing activities:	<u>(7,529)</u>	<u>0</u>	<u>(7,529)</u>
Cash flows from investing activities:			
Interest on investments	59	0	59
	<u>59</u>	<u>0</u>	<u>59</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,573)	(2,086)	(9,659)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	18,420	7,138	25,558
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 10,847</u>	<u>5,052</u>	<u>15,899</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (114,938)		(114,938)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	1,645	0	1,645
(Increase) Decrease in inventories	2,638	0	2,638
Commodities used	22,044	0	22,044
Increase (Decrease) in due to other funds	0	0	0
(Increase) Decrease in accounts receivable	0	130	130
Increase (Decrease) in accounts payable	0	(2,216)	(2,216)
Net cash provided by (used in) operating activities	<u>\$ (88,611)</u>	<u>(2,086)</u>	<u>(90,697)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash and investments	\$ 10,847	5,052	15,899
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 10,847</u>	<u>5,052</u>	<u>15,899</u>
Non-cash investing, capital and financing activities:			

During the year ended June 30, 2005, the District received Federal commodities valued at \$22,044.

See notes to financial statements.

Boyden-Hull Community School District

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Boyden-Hull Community School District is a political subdivision of the State of Iowa and operates public schools for children in grade kindergarten through twelve. 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 Hull and Boyden, Iowa, and the predominate agricultural territory in Sioux and Lyon 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, Boyden-Hull 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. Boyden-Hull Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Sioux and Lyon County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account 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.

The Property, Plant and Equipment Levy Fund is used to account for the taxes levied and the expenditures of building and equipment repair and maintenance.

The District does not report on any major proprietary or business type funds.

The Gifts and Trust Fund is used to account for donations made to the District for a specific purpose or for general use and is reflected in the non-major special revenue activity.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements 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 programs expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003, assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

Asset Class	Amount
Land	Any
Depreciable land improvements	\$1,000
Buildings and building additions	\$1,000
Building improvements	\$1,000
Machinery and equipment	\$1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and building additions	50 years
Building improvements	up to 20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, were paid in June of 2005.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instruction programs functional area exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had investments in the Iowa School Joints Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 43,554</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due To Other Funds

The District has no outstanding interfund payables or receivables at June 30, 2005.

(4) Interfund Transfers

The District processed the following interfund transfers during the fiscal year ended June 30, 2005:

\$33 from the Capital Projects Fund, from the old capital project that was finished several years ago to the Property Plant and Equipment Levy Fund.

\$100,000 from the Capital Projects Fund (Local Option Sales Tax) to the Property Plant Equipment Levy Fund.

\$47,100 from the Capital Projects Fund (Local Option Sales Tax) to the Debt Service Fund.

The Nutrition Fund reimburses the General Fund for payroll expenses paid out of the General Fund.

All the above transfers are allowed under Iowa Code.

(5) Iowa School Cash Anticipation Programs (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. The District did not participate in any issuances during this fiscal year.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,751	0	0	318,751
Construction in progress	0	0	0	0
Total capital assets not being depreciated	318,751	0	0	318,751
Capital assets being depreciated:				
Land improvements	443,642	3,000	0	446,642
Buildings	578,465	0	0	578,465
Improvements and other buildings	4,065,758	9,920	0	4,075,678
Furniture and equipment	570,803	63,483	(30,766)	603,520
Vehicles	507,445	56,750	(20,001)	544,194
Total capital assets being depreciated	6,166,113	133,153	(50,767)	6,248,499
Total governmental capital assets	6,484,864	133,153	(50,767)	6,567,250
Less accumulated depreciation for:				
Land improvements	440,557	453	0	441,010
Buildings	344,559	11,569	0	356,128
Improvements and other buildings	953,648	81,811	0	1,035,459
Furniture and equipment	321,192	60,197	(30,766)	350,623
Vehicles	397,312	37,119	(20,001)	414,430
Total accumulated depreciation	2,457,268	191,149	(50,767)	2,597,650

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Total capital assets being depreciated, net	3,708,845	(57,996)	0	3,650,849
Governmental activities capital assets, net	\$ 4,027,596	(57,996)	0	3,969,600

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 44,067	7,529	0	51,596
Less accumulated depreciation	43,271	804	0	44,075
Business type activities capital assets, net	\$ 796	6,725	0	7,521

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 138,597
Special	0
Other	3,193

Support services:

Instructional staff	480
Administration	2,602
Operation and maintenance of plant	8,397
Transportation	37,337
Other	543

Unallocated	0
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Total depreciation expense - governmental activities	<u>\$ 191,149</u>
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Business type activities:

Food service operations	<u>\$ 804</u>
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(7) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year	Due After One Year
General obligation bonds	\$ 2,700,000	0	125,000	2,575,000	135,000	2,440,000
Early retirement	59,022	0	11,251	47,771	16,998	30,773
Compensated absences	3,370	6,010	4,752	4,628	4,628	0
Total	\$ 2,762,392	6,010	141,003	2,627,399	156,626	2,470,773

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is required, to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the number of years of service multiplied by 2.25% times the employee's final salary and subject to a maximum of \$25,600 per individual. Early retirement benefits paid during the year ended June 30, 2005, totaled \$11,215. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2005, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1999			
	Interest Rate	Principal	Interest	Total
2006	5.00%	135,000	119,408	254,408
2007	5.00%	140,000	112,658	252,658
2008	5.00%	145,000	105,657	250,657
2009	4.90%	155,000	98,408	253,408
2010	4.30%	160,000	90,813	250,813
2011	4.30%	170,000	83,932	253,932
2012	4.40%	180,000	76,623	256,623
2013	4.40%	185,000	68,702	253,702
2014	4.50%	195,000	60,563	255,563
2015	4.50%	205,000	51,787	256,787
2016	4.60%	210,000	42,562	252,562
2017	4.70%	220,000	32,903	252,903
2018	4.75%	230,000	22,562	252,562
2019	4.75%	245,000	11,637	256,637
		<u>\$2,575,000</u>	<u>\$978,215</u>	<u>\$3,553,215</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$147,791, \$142,800 and \$140,725, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$210,741 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District had entered into four contracts for improvements, repairs and new furnishings at June 30, 2005. Two of these contracts were under the bidding threshold of \$25,000 and were for library furniture totaling \$13,833 which was received by June 30, 2005, but not paid. The other contract was for resurfacing the track at Hesla Field for \$23,465 which was not completed at June 30, 2005.

The other two contracts were over the bidding threshold, but only one of these was advertised for bidding. The other contract was made by requesting phone bids, which violates Iowa Code Sections 73A.2 and 73A.18. The contract that was properly bid was for roof replacement on the Boyden building for \$44,880 and was not complete before June 30, 2005. The other contract that was not properly bid was for parking lot paving for \$43,755 and was not complete before June 30, 2005.

(12) Operating Leases

At the beginning of the fiscal year, the District had an operating lease for two Riso duplicators. This lease ended January 2005. The monthly payments for this lease were \$534 and the District paid a total of \$3,738 on this lease. In April 2005, the District entered into a new operating lease for two new Riso duplicators for \$528 per month for 60 months. The total of payments under this new lease is \$31,680. The District made three payments on the new lease during the year totaling \$1,584, leaving 57 payments remaining. Future minimum lease payments under the new lease for the years ending June 30 are as follows:

2006	\$ 6,336
2007	6,336
2008	6,336
2009	6,336
2010	<u>4,752</u>
	<u>\$30,096</u>

(13) Interest Capitalization and Expense Policy

The District does not capitalize interest during construction projects. The interest is paid from the appropriate fund when it is due.

The District interest expense is \$125,537 under full accrual based on GASB 34 and \$126,058 based on governmental method of modified accrual accounting.

(14) Reserved Fund Balances

Property Plant and Equipment Levy (PPEL) – This balance is reserved for purchasing, repairing and remodeling capital assets of the District based on Iowa Code Section 298.3.

Management Fund – This balance is reserved for paying insurance premiums, early retirement benefits, unemployment benefits and judgements against the District based on Iowa Code Section 298.4.

Debt Service Fund – This balance is reserved for paying principal and interest on bonded debt based on Iowa Code Section 298.18.

Capital Projects Fund (Local Option Sales Tax) – The sales tax collections are for capital projects or debt service levy reduction as approved by voters.

Required Supplementary Information

Boyden-Hull Community School District
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual – All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental	Proprietary	Funds not	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual	Required to be Budgeted		Original	Final	
Receipts:							
Local sources	\$ 2,797,838	176,368	47,200	2,927,006	2,904,953	2,904,953	22,053
Intermediate sources	0	0	0	0	5,000	5,000	(5,000)
State sources	2,685,069	3,877	0	2,688,946	2,708,264	2,708,264	(19,318)
Federal sources	270,810	106,675	0	377,485	182,000	182,000	195,485
Total receipts	5,753,717	286,920	47,200	5,993,437	5,800,217	5,800,217	193,220
Disbursements:							
Instruction	3,454,751	0	0	3,454,751	3,475,000	3,475,000	(20,249)
Support services	1,274,088	0	0	1,274,088	1,413,500	1,413,500	(139,412)
Non-instructional programs	29,768	291,247	47,200	273,815	241,500	241,500	32,315
Other expenditures	528,854	0	0	528,854	477,843	477,843	51,011
Total disbursements	5,287,461	291,247	47,200	5,531,508	5,607,843	5,607,843	(76,335)
Excess (deficiency) of receipts Over (under) disbursements	466,256	(4,327)	0	461,929	192,374	269,555	442,740
Other financing sources, net	1,417	0	0	1,417	0	0	
Excess (deficiency) of receipts And other financing sources Over (under) disbursements And other financing uses	467,673	(4,327)	0	463,346	192,374	192,374	
Balances beginning of year	718,282	33,060	0	751,342	(1,124,652)	(1,124,652)	
Balances end of year	\$1,185,955	28,733	0	1,214,688	(932,278)	(932,278)	

See accompanying independent auditor's report.

Boyden-Hull Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year end June 30, 2005, disbursements in the non-instructional programs function and other expenditures exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Funds not required to be budgeted include the Employee Cafeteria Fund which is only a holding account for employee withholdings to pay out-of-pocket medical and child care expenses. They are not the District's funds and only if the employee does not use the funds within 60 days of the end of the plan fiscal year will the District show any income.

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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.

Boyden-Hull Community School District

Other Supplementary Information

Boyden-Hull Community School District

Boyden-Hull Community School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Management Levy	Student Activity	Expendable Trust	Total
Assets				
Cash and pooled investments	\$ 30,333	52,021	(67)	82,287
Receivables:				
Property tax:				
Delinquent	739	0	0	739
Succeeding year	90,000	0	0	90,000
Accounts	0	63	5,300	5,363
Accrued interest	0	0	0	0
Total assets	\$ 121,072	52,084	5,233	178,389
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 0	465	0	465
Salaries and benefits payable	2,836	0	0	2,836
Interfund payables	0	0	0	0
Deferred revenue:				
Succeeding year property tax	0	0	0	0
Other	90,000	0	0	90,000
Total liabilities	92,836	465	0	93,301
Fund equity:				
Unreserved fund balances	28,236	51,619	5,233	85,088
Total liabilities and fund equity	\$ 121,072	52,084	5,233	178,389

See accompanying independent auditor's report.

Boyden-Hull Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2005

	Management Levy	Student Activity	Expendable Trust Funds	Total
Revenues:				
Local sources:				
Local tax	\$60,011	0	0	60,011
Other	947	105,967	19,787	126,701
State sources	47	0	0	47
Total revenues	61,005	105,967	19,787	186,759
Expenditures:				
Current:				
Instruction:				
Regular instruction	0	0	0	0
Special instruction	0	0	0	0
Other instruction	0	113,353	19,919	133,272
Support services:				
Administration services	60,641	0	0	60,641
Operation and maintenance of plant services	0	0	0	0
Other expenditures:				
Facilities acquisition	0	0	0	0
Total expenditures	60,641	113,353	19,919	193,913
Excess (deficiency) of revenues over (under) expenditures	364	(7,386)	(132)	(7,154)
Other financing sources (uses):				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	364	(7,386)	(132)	(7,154)
Fund balances beginning of year, as restated	27,872	59,005	5,365	92,242
Fund balances end of year	\$28,236	51,619	5,233	85,088

See accompanying independent auditor's report.

Boyden-Hull Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
General	\$ 0	0	1,646	1,646	0
Interest on CD and NOW	21,455	1,295	587	(5,517)	16,646
Magazines	0	4,677	4,677	0	0
Resale Industrial Arts	446	1,526	1,527	0	445
Resale FCS	2	(2)	0	0	0
Resale media products	0	0	0	0	0
Resale music supplies	64	736	709	0	91
Elementary band resale	0	648	569	0	79
Marketing	4,245	1,455	831	0	4,869
Drama/Speech	0	59	1,168	1,109	0
All school play	567	938	1,205	0	300
Swing Show	0	1,964	753	(1,211)	0
Music vocal	0	651	1,822	1,171	0
Choir robes	413	425	324	0	514
Musical	8	0	0	(8)	0
Music band-High School	0	858	927	69	0
Music-Junior High	0	225	123	(21)	81
Band uniform maintenance	227	470	387	0	310
High School athletic general	3,652	8,889	1,951	(10,590)	0
Cross country	0	0	205	205	0
Golf	0	1,286	2,328	1,042	0
Boys basketball	0	5,434	3,206	(2,228)	0
Football	0	3,365	10,457	7,092	0
Baseball	0	0	2,318	2,318	0
Boys track	0	1,059	1,618	559	0
Girls basketball	0	5,048	5,045	(3)	0
Volleyball	0	2,050	3,172	1,122	0
Softball	0	0	1,964	1,964	0
Girls track	0	1,059	2,026	967	0
Adult education	0	0	0	0	0
Girls basketball camp	0	0	0	300	300
Annual	0	9,448	8,407	0	1,041
Pep club	798	3,214	2,220	0	1,792
Student Council-High School	1,380	5,202	5,379	0	1,203
Class of 2007	1,750	1,650	0	0	3,400
Class of 2006	3,702	6,090	6,944	0	2,848
Class of 2009	3,906	0	3,906	0	0
Class of 2008	396	1,861	396	0	1,861
Quiz Bowl	508	601	906	0	203
National Honor Society	0	0	(17)	0	17
Student Council-Junior High	145	92	126	0	111
Cheerleading	2,290	4,016	2,431	0	3,875
Spanish Club	849	595	452	0	992
Pep Bus/Students	0	4	0	0	4
Photo Club	0	0	0	0	0
FCCLA	1,876	2,597	3,681	0	792
FFA	3,387	11,355	10,750	0	3,992
6th grade trip	5,128	7,438	7,923	0	4,643
Recycling	1,550	4,526	5,125	0	951
Student miscellaneous	77	3,081	3,083	0	75
Elementary Student Council	184	0	0	0	184
Elementary band	0	82	96	14	0
Total	\$ 59,005	105,967	113,353	0	51,619

See accompanying independent auditor's report.

Boyden-Hull Community School District
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Local sources:					
Local tax	\$ 2,298,543	2,198,648	1,928,743	1,839,129	1,737,757
Tuition	251,351	216,390	181,023	171,248	145,883
Other	247,944	212,844	200,194	214,233	338,760
Intermediate sources	0	0	2,490	1,972	2,052
State sources	2,685,069	2,303,009	2,110,867	2,081,220	2,052,350
Federal sources	270,810	181,202	179,514	140,167	101,995
Total	\$ 5,753,717	5,112,093	4,602,831	4,447,969	4,378,797
Expenditures:					
Instruction:					
Regular instruction	\$ 2,314,176	2,104,063	1,932,015	1,959,024	1,832,405
Special instruction	804,400	741,219	676,568	560,959	585,332
Other instruction	336,175	289,069	288,329	340,800	336,432
Support services:					
Student services	64,445	67,200	71,080	89,903	82,865
Instructional staff services	108,945	137,832	134,234	127,452	117,506
Administration services	526,226	486,733	472,605	461,778	438,240
Operation and maintenance of plant services	344,973	294,707	307,559	286,410	302,496
Transportation services	229,499	170,991	145,568	147,031	154,714
Central support services	0	11,735	4,695	4,659	0
Non-instructional programs	29,768	7,176	6,947	8,147	14,535
Other expenditures:					
Facilities acquisition	67,055	175,629	228,993	183,298	2,064,513
Long-term debt:					
Principal	125,000	120,000	115,000	110,000	115,000
Interest and other charges	126,058	131,957	137,708	143,208	148,308
AEA flowthrough	210,741	198,283	198,517	198,609	199,712
Total	\$ 5,287,461	4,936,594	4,719,818	4,621,278	6,392,058

See accompanying independent auditor's report.

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

To the Board of Education of
Boyden-Hull Community School District:

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 Boyden-Hull Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents , and have issued our report thereon dated November 8, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Boyden-Hull Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005, 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. Prior year statutory comments have all been resolved except for item III-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boyden-Hull Community School District and other parties to whom Boyden-Hull Community School District may report, including federal awarding agencies and passthrough entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

SIEBRECHT & CO., PC
Certified Public Accountants

Sioux Center, Iowa
November 8, 2005

Boyden-Hull Community School District
SCHEDULE OF FINDINGS
Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties

Comment – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. As in the prior year, we noted that control of blank purchase orders, processing of approved invoices, warrant preparation, access to cash and accounting records are handled in many cases by the same person. We also noted that responsibility for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash receipts. Invoices were many times not cancelled to prevent repayment.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, one procedure to help improve internal control would be to have another person control purchase orders. Also another person could prepare bank deposits. Invoices paid from all funds should be clearly cancelled to prevent resubmission for payment.

Response – We will attempt to implement the recommendations and continue to monitor the internal control procedures.

Conclusion – Response accepted.

Part III: Other Findings Related To Required Statutory Reporting:

III-A-05

Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

III-B-05

Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional functional area and other expenditures.

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

Response – In the future, we will amend the budget before disbursements exceed the budget.

Conclusion – Response accepted.

III-C-05

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

III-D-05

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.

III-E-05

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

III-F-05

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

III-G-05

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

III-H-05

Certified Enrollment – We noted no variances in the basic enrollment data certified to the Department of Education.

III-I-05

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

III-J-05

Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

III –K-05

Contract Bidding Requirements – The District entered into one contract for \$43,755 for parking lot paving. The District did not publish requests for bids as required by Iowa Code 73A.2 and 73A.18.

Recommendation – The District should publish bid requests as required by Iowa Code.

Response – In the future, we will publish requests as required.

Conclusion – Response accepted.

Boyden-Hull Community School District

Staff

This audit was performed by:

Myron C. Siebrecht, CPA, Senior Auditor
Robert S. Ferreira, CPA, Senior Auditor
Gregg Miller, Assistant Auditor

SIEBRECHT & CO., PC
Certified Public Accountants