

**BOONE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008**

# Table of Contents

---

<b>Board of Education and School District Officials</b> .....	1
<b>Independent Auditor's Report</b> .....	2-3
<b>Management's Discussion and Analysis (MD&amp;A)</b> .....	4-14
<b>Basic Financial Statements</b>	
District-Wide Financial Statements	
Statement of Net Assets .....	15
Statement of Activities .....	16
Governmental Fund Financial Statements	
Balance Sheet.....	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets...	18
Statement of Revenue, Expenditures and Changes in Fund Balances .....	19
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Activities .....	20
Proprietary Fund Financial Statements	
Statement of Net Assets .....	21
Statement of Revenue, Expenses and Changes in Net Assets.....	22
Statement of Cash Flows.....	23
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	24
Statement of Changes in Fiduciary Net Assets .....	25
Notes to the Financial Statements.....	26-39
<b>Required Supplementary Information</b>	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds .....	40
<b>Other Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet .....	41
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	42
Nonmajor Proprietary Funds	
Combining Schedule of Net Assets .....	43
Combining Schedule of Revenue, Expenses and Change in Net Assets.....	44
Combining Schedule of Cash Flows .....	45
Schedule of Changes in Individual Student Activity Accounts.....	46-48
Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis) .....	49
Schedule of Expenditures of Federal Awards .....	50-51
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</b> .....	52-53
<b>Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance</b> .....	54-55
<b>Schedule of Findings and Questioned Costs</b> .....	56-61

## Introductory Section

---

# Board of Education and School District Officials

---

At June 30, 2008

Name	Title	Term Expires
<b>(Before September, 2007 Election)</b>		
<b>Board of Education</b>		
Dr. Jeffrey Anderson	President	2007
Jim Malloy	Vice President	2008
Kirk Leeds	Board Member	2007
Everett Johnson	Board Member	2009
Pamela Boehm	Board Member	(Appointed June, 2007) 2008
<b>(After September, 2007 Election)</b>		
<b>Board of Education</b>		
Dr. Jeffrey Anderson	President	2010
Jim Malloy	Vice President	Resigned October, 2007
Kirk Leeds	Vice President	(Appointed October, 2007) 2010
Pamela Boehm	Board Member	2008
Everett Johnson	Board Member	2009
Brad O'Neal	Board Member	(Elected December, 2007) 2008
<b>School Officials</b>		
Dr. Theron Shutte	Superintendent	Indefinite
Jodi Severson, CPA	District Secretary/Treasurer	Resigned August 26, 2008
Paulette Newbold, CPA	District Secretary/Treasurer	Appointed September 16, 2008

**Financial Section**

---

## **Independent Auditor's Report**

---

Board of Education  
Boone Community School District  
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District, Boone, Iowa, at and for the year ended June 30, 2008, and the discretely presented component unit at and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District at June 30, 2008 and the discretely presented component unit at December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009 on our consideration of the Boone 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 Page 4 through 14 and 40 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 required 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 the Boone 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 years ended June 30, 2007 and 2006 (which are not presented herein) and expressed an unqualified opinion on the 2007 financial statements and a qualified opinion on the 2006 financial statements. The financial statements for the year ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed a qualified opinion on the those financial statements. Other supplementary information included on Pages 41 through 51, including the accompanying Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
February 18, 2009

---

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

---

The Boone Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- During fiscal year 2008, the General Fund beginning balance was restated from \$322,118 to \$455,319 due to correction of prior year errors and reclassifying prior year expenditures from the General Fund to the Special Revenue, PPEL Fund. The District's General Fund balance at year end was \$683,406, a 50% increase from the restated beginning fund balance.
- The General Fund ending undesignated, unreserved fund balance increased from \$369,356 at June 30, 2007 to \$659,058 at June 30, 2008, which represents a 3% solvency ratio.
- General Fund revenue increased 3% from \$21,100,864 in fiscal 2007 to \$21,729,485 in 2008, a revenue increase of \$628,621. The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue.
- General Fund expenditures increased 1.7% from \$21,109,752 in 2007 to \$21,477,723 for fiscal year 2008, an increase of \$367,971. This increase is primarily attributable to an increase in negotiated salaries and benefits, which account for over 76% of the total General Fund expenditures.
- Despite an increased fund balance, a decline in interest rates during the past three fiscal years resulted in interest earnings in the General Fund alone decreasing from \$362,225 in fiscal 2007 to \$283,130 in fiscal 2008, a 22% decrease.

### **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 Boone 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 Boone 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 Boone Community School District acts solely as an agent or custodian for the benefit of those outside 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 governmental and proprietary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

The following diagram, Figure A-1, shows how the various parts of this annual report are arranged and related to one another.

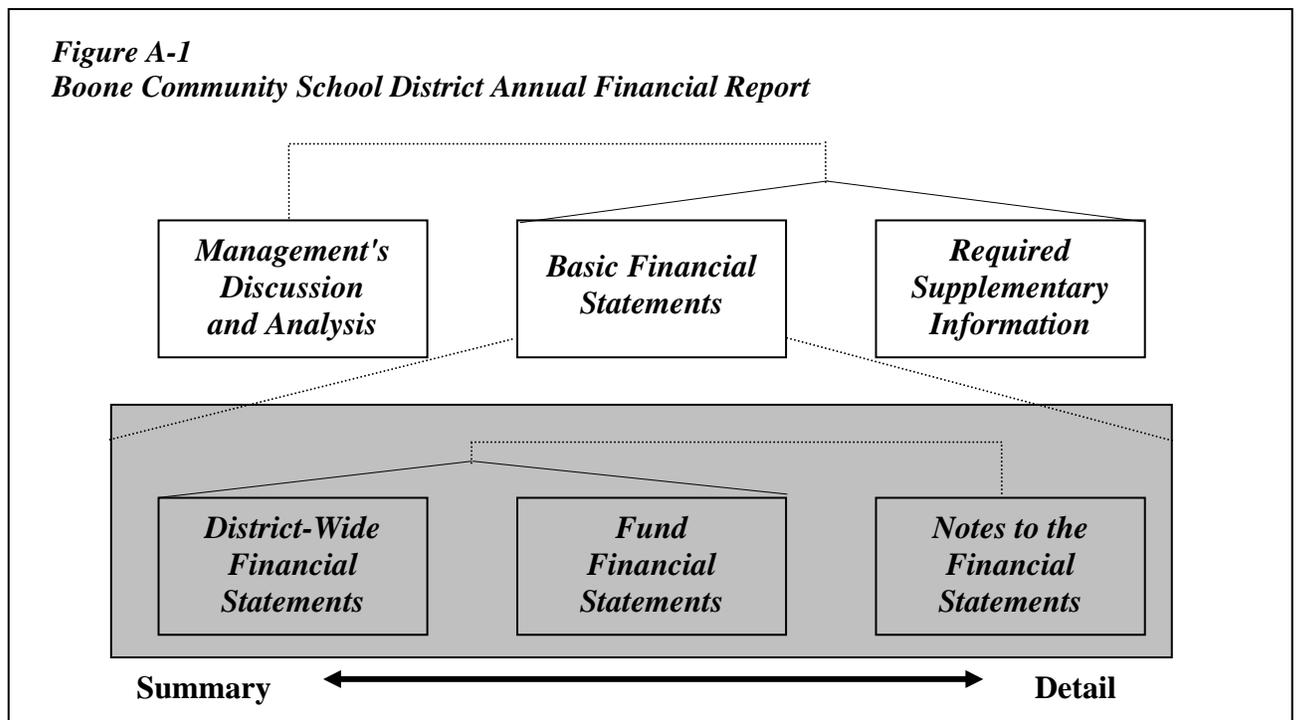


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities and how they have changed. 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 District-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.

#### **Review of BCSD Property Tax Valuations by Year**

Year	Taxable Valuation without TIF	Increase/(Decrease) over previous year	Percent Change
FY02	\$ 321,167,755	\$ 14,379,015	4.69%
FY03	344,867,757	23,700,002	7.38%
FY04	347,487,596	2,619,839	0.76%
FY05	321,980,515	(25,507,081)	-7.34%
FY06	330,923,798	8,943,283	2.78%
FY07	376,972,897	46,049,099	13.92%
FY08	382,551,700	5,578,803	1.48%

#### **BCSD Facilities by Age**

	<b>Built</b>	<b>Additions</b>
Boone High School	1913	1924, 1954, 1986, 1995
Bryant Elementary	1939	
Lowell Elementary	1939	
Lincoln Elementary	1939	1960
Franklin Elementary	1954	1998
Page Elementary	1960	
Boone Middle School	2006	

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 and the Student Enterprise Fund are 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 or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue.

The District has three types 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 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, the Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, 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 Student Enterprise Fund.

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

- *Fiduciary funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Assets** – Figure A-3 provides a summary of the District’s net assets for the year ended June 30, 2008 compared to June 30, 2007.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total School District</b>		<b>Percentage Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2007-2008</b>
Current and Other Assets	18,047	16,883	127	98	18,174	16,981	7.0 %
Capital Assets	18,865	19,013	198	182	19,063	19,195	(0.7)%
<b>Total Assets</b>	<b>36,912</b>	<b>35,896</b>	<b>325</b>	<b>280</b>	<b>37,237</b>	<b>36,176</b>	<b>2.9 %</b>
Long-Term Liabilities	10,590	11,345	-	-	10,590	11,345	(6.7)%
Other Liabilities	14,774	14,072	20	12	14,794	14,084	5.2 %
<b>Total Liabilities</b>	<b>25,364</b>	<b>25,417</b>	<b>20</b>	<b>12</b>	<b>25,384</b>	<b>25,429</b>	<b>(0.1)%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	7,520	6,943	198	182	7,718	7,125	8.3 %
Restricted	2,640	2,458	33	-	2,673	2,458	8.7 %
Unrestricted	1,388	1,138	74	103	1,462	1,241	16.0 %
<b>Total Net Assets</b>	<b>11,548</b>	<b>10,539</b>	<b>305</b>	<b>285</b>	<b>11,853</b>	<b>10,824</b>	<b>9.5 %</b>

The District’s combined net assets increased 9.5%, or approximately \$1,029,000, over the prior year. The largest portion of the District’s net assets are invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s total restricted net assets increased slightly by approximately \$215,000, or 8.7%, over the prior period. An increase in the Capital Projects restricted net assets resulted from the accumulation of School Infrastructure Local Option (SILO) sales tax dollars for future projects. A decrease in the Debt Service and Special Revenue restricted net assets resulted primarily from increased expenditures.

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 by approximately \$221,000, or 18%. This is primarily due to the operating surplus from the general fund operations.

**Changes in Net Assets** – Figure A-4 shows a summary of the District’s changes in net assets for the fiscal year ended June 30, 2008 as compared to fiscal 2007.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total School District</b>		<b>Percentage Change</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2007-2008</b>
<b>Revenue</b>							
<b>Program Revenue</b>							
Charge for service	2,247	2,286	597	523	2,844	2,809	1.2 %
Operating grants, contributions and restricted interest	2,829	2,805	359	333	3,188	3,138	1.6 %
<b>General Revenue</b>							
Property tax	6,908	6,827	-	-	6,908	6,827	1.2 %
Local option sales and service tax	1,314	1,373	-	-	1,314	1,373	(4.3)%
Income surtax	810	859	-	-	810	859	(5.7)%
Unrestricted state grants	10,062	9,616	-	-	10,062	9,616	4.6 %
Unrestricted investment earnings	363	503	2	9	365	512	(28.7)%
Other	180	203	-	-	180	203	(11.3)%
<b>Total Revenue</b>	<b>24,713</b>	<b>24,472</b>	<b>958</b>	<b>865</b>	<b>25,671</b>	<b>25,337</b>	<b>1.3 %</b>
<b>Program Expenses</b>							
Instruction	16,069	15,932	-	-	16,069	15,932	1.0 %
Support services	6,395	6,278	-	-	6,395	6,278	1.9 %
Non-instructional programs	-	-	938	843	938	843	11.3 %
Other expenses	1,240	1,229	-	-	1,240	1,229	0.9 %
<b>Total Expenses</b>	<b>23,704</b>	<b>23,439</b>	<b>938</b>	<b>843</b>	<b>24,642</b>	<b>24,282</b>	<b>1.5 %</b>
<b>Change in Net Assets</b>	<b>1,009</b>	<b>1,033</b>	<b>20</b>	<b>22</b>	<b>1,029</b>	<b>1,055</b>	<b>(2.5)%</b>

Property tax and unrestricted state grants accounted for 68.7% of the District’s total revenue from governmental activities while charges for service and operating grants and contributions account for 99.8% of the revenue from business-type activities.

The District’s total revenues were approximately \$25.7 million, of which \$24.7 million was for governmental activities and less than \$1 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 1.3% increase in revenues and a 1.6% increase in expenses, primarily due to an increase in the noninstructional programs function.

## Governmental Activities

Revenues for governmental activities were \$24,713,238 and expenses were \$23,704,192 for the year ended June 30, 2008.

The following table presents the total and net cost of the District's major governmental activities, Instruction, Support Services and Other Expenses for the years ended June 30, 2008 and 2007.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in thousands)**

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 16,069	\$ 11,890	\$ 15,932	\$ 11,662
Support Services	6,395	6,256	6,277	6,178
Other Expenses	1,240	482	1,229	507
<b>Total</b>	<b>\$ 23,704</b>	<b>\$ 18,628</b>	<b>\$ 23,438</b>	<b>\$ 18,347</b>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$2,247,300.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,828,807.
- The net cost of governmental activities was financed with \$8,221,938 in property and other taxes and \$10,062,104 in unrestricted state grants.

## Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2008 were \$957,769, representing a 10.7% increase over the prior year, while expenses totaled \$938,077, an 11.2% increase over the prior year.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Boone 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 \$3,373,046, above last year's ending fund balances of \$2,993,581. The primary reason for the increase is the accumulation of SILO sales tax revenues in excess of debt requirements.

## Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$228,087 at the end of fiscal 2008 to \$683,406. This increase was due to an attempt to reduce the District's deficit spending trend and maintain a positive unspent balance at the end of fiscal year 2008.

- The Capital Projects Fund balance increased from \$1,212,316 at the end of fiscal 2007 to \$1,790,831 at the end of fiscal 2008. The District collects SILO sales tax and is required to account for this revenue in a separate fund since it may only be used for capital projects or debt reduction. The District's share of revenue from the SILO sales tax from Boone County was \$1,314,192 for fiscal 2008.

### Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$268,115 to \$294,160 at June 30, 2008.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its annual budget one time to reflect additional expenditures associated with various programs within the District.

The District's total revenues were \$25,573,836; \$149,180 more than budgeted revenues of \$25,424,656.

Total expenditures were less than budgeted by \$1,982,880, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls the General Fund spending through a line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$18.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.7% 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 \$614,217.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(expressed in thousands)**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2007-2008
	2008	2007	2008	2007	2008	2007	
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	-	2	-	-	-	2	100.0 %
Buildings	17,797	18,062	-	-	17,797	18,062	(1.5)%
Furniture & Equipment	749	630	198	182	947	812	16.6 %
<b>Total</b>	<b>18,865</b>	<b>19,013</b>	<b>198</b>	<b>182</b>	<b>19,063</b>	<b>19,195</b>	<b>(0.7)%</b>

## LONG-TERM DEBT

On June 30, 2008, the District had a total of \$11,475,310 in general obligation bonds and other long-term obligations outstanding. This represents a decrease of 5.5% from the prior year total of \$12,146,626. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Early retirement obligations rose from \$76,626 at June 30, 2007 to \$130,310 at June 30, 2008. This increase is attributable to an unusual, one-time \$10,000 increase in the early retirement incentive offered due to necessary budget cuts in the general fund. Early retirement incentives are paid to employees in the month of January following retirement. Half of the fiscal year 2008 incentive will be paid in January 2009 and the final half in January 2010.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
 (expressed in thousands)

	<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2008</b>	<b>2007</b>	<b>2007-2008</b>
General Obligation Bonds	11,115	11,625	(4.4)%
General Obligation capital loan notes	230	445	(48.3)%
Early Retirement	130	77	68.8 %
<b>Total</b>	11,475	12,147	5.5 %

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State allowable growth for public schools remained at 4% for fiscal year 2008 although District enrollment continues to decline. Under Iowa's school foundation formula, a school district's state aid funding is dependent upon its enrollment. The October 2007 budget enrollment declined 97.5 students, or 4.2%, placing the District on the Budget Guarantee for FY09. The enrollment decline in October 2008 was 43.3 students, or 1.9% of the total enrolled in the previous year. The enrollment figures reported in October 2008 will be the basis for the District's state funding for fiscal year 2010, resulting in only \$79,943 of revenue growth or "new money" in spite of 4% allowable growth.
- A recent downturn in the economy and discussion at the state level of not fully funding allowable growth or reducing allowable for fiscal year 2010 and forward will remain an important consideration in continuing to meet the needs of the District with declining resources.
- In December 2008 the Governor announced a 1.5% across-the-board cut to state funding. This will result in the District receiving approximately \$146,000 less in state aid than budgeted for fiscal year 2009 and require cash reserves to be utilized.

- In December 2008 the voters overwhelmingly approved a new Revenue Purpose Statement. This was due to the passage of the State Penny for School Infrastructure that will replace the current SILO sales tax upon expiration on December 31, 2013. The State Penny will give districts a more equitable source of funding to build and repair schools. The passage of this legislation also significantly impacts the District's bonding capacity as it allows for borrowing against future sales tax revenues.
- The District enters into annual contracts with its two collective bargaining units. Growth in employee wages and benefits has outpaced state funding to schools which has a profound effect on the District's General Fund budget as salaries and benefits remain close to 77% of General Fund expenditures. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases above the District's new money.
- The District continues to assess its current attendance centers long-term usefulness and sustainability as enrollment continues to decline and the Whole Grade Sharing Contract with United Community School District expires at the end of fiscal year 2009.
- Rising fuel costs during fiscal year 2008 increased the cost of student transportation leaving fewer funds available for instructional and other services. Fuel costs have begun to fall during fiscal year 2009.
- The Board of Education reinstated the early retirement plan during fiscal year 2008 with a one-time increase in the benefit. The Board of Education will review annually to determine if it is in the best interest of the District to reinstate.

### **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 commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Paulette Newbold, CPA, District Secretary/Treasurer and Director of Business Services, Boone Community School District, 500 Seventh Street, Boone, Iowa 50036-2898.

## **Basic Financial Statements**

---

# Statement of Net Assets

At June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
<b>Assets</b>				
Cash and Cash Equivalents				
ISCAP .....	\$ 4,492,622	\$ —	\$ 4,492,622	\$ —
Other .....	5,016,738	80,708	5,097,446	306,235
Receivables				
Property Taxes, Net of Allowance				
Current year delinquent .....	103,352	—	103,352	—
Succeeding year .....	6,948,550	—	6,948,550	—
Accrued interest .....	30,715	—	30,715	—
Other .....	50,550	12,836	63,386	—
Internal balances .....	(181)	181	—	—
Due from other governments .....	1,400,424	—	1,400,424	—
Inventories and prepaid expenses .....	3,503	33,190	36,693	—
Capital assets, net of accumulated depreciation .....	<u>18,865,395</u>	<u>198,110</u>	<u>19,063,505</u>	<u>—</u>
<b>Total Assets .....</b>	<b><u>\$ 36,911,668</u></b>	<b><u>\$ 325,025</u></b>	<b><u>\$ 37,236,693</u></b>	<b><u>\$ 306,235</u></b>
<b>Liabilities</b>				
Accounts payable .....	\$ 494,341	\$ —	\$ 494,341	\$ —
Salaries and benefits payable .....	1,818,159	12,188	1,830,347	—
Note payable .....	—	8,000	8,000	—
Accrued interest payable .....	75,085	—	75,085	—
Deferred revenue - succeeding year property taxes..	6,948,550	—	6,948,550	—
ISCAP warrants payable .....	4,466,000	—	4,466,000	—
ISCAP accrued interest payable .....	33,194	—	33,194	—
ISCAP unamortized premium .....	53,250	—	53,250	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds payable .....	525,000	—	525,000	—
General obligation capital loan notes payable .....	230,000	—	230,000	—
Early retirement .....	130,310	—	130,310	—
Portion Due After One Year				
General obligation bonds payable .....	<u>10,590,000</u>	<u>—</u>	<u>10,590,000</u>	<u>—</u>
<b>Total Liabilities .....</b>	<b><u>25,363,889</u></b>	<b><u>20,188</u></b>	<b><u>25,384,077</u></b>	<b><u>—</u></b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt .....	7,520,395	198,110	7,718,505	—
Restricted For				
Debt service .....	75,166	—	75,166	—
Management levy .....	41,740	—	41,740	—
Property, plant and equipment levy .....	499,918	—	499,918	—
Student activities .....	206,900	—	206,900	—
Capital projects .....	1,790,831	—	1,790,831	—
Other special purpose .....	24,348	33,190	57,538	—
Unrestricted .....	<u>1,388,481</u>	<u>73,537</u>	<u>1,462,018</u>	<u>306,235</u>
<b>Total Net Assets .....</b>	<b><u>11,547,779</u></b>	<b><u>304,837</u></b>	<b><u>11,852,616</u></b>	<b><u>306,235</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 36,911,668</u></b>	<b><u>\$ 325,025</u></b>	<b><u>\$ 37,236,693</u></b>	<b><u>\$ 306,235</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
<b>Governmental Activities</b>							
Instruction							
Regular instruction .....	\$ 10,975,969	\$ 1,980,570	\$ 1,501,736	\$ (7,493,663)	\$ —	\$ (7,493,663)	\$ —
Special instruction .....	3,722,820	—	324,207	(3,398,613)	—	(3,398,613)	—
Other instruction .....	<u>1,370,503</u>	<u>239,106</u>	<u>133,156</u>	<u>(998,241)</u>	<u>—</u>	<u>(998,241)</u>	<u>—</u>
Total Instruction .....	<u>16,069,292</u>	<u>2,219,676</u>	<u>1,959,099</u>	<u>(11,890,517)</u>	<u>—</u>	<u>(11,890,517)</u>	<u>—</u>
Support Services							
Student services .....	773,552	—	—	(773,552)	—	(773,552)	—
Instructional staff services .....	555,726	—	—	(555,726)	—	(555,726)	—
Administration services .....	2,309,217	—	—	(2,309,217)	—	(2,309,217)	—
Operation and maintenance of plant services .....	2,226,834	25,747	101,419	(2,099,668)	—	(2,099,668)	—
Transportation services .....	<u>529,195</u>	<u>1,877</u>	<u>9,543</u>	<u>(517,775)</u>	<u>—</u>	<u>(517,775)</u>	<u>—</u>
Total Support Services .....	<u>6,394,524</u>	<u>27,624</u>	<u>110,962</u>	<u>(6,255,938)</u>	<u>—</u>	<u>(6,255,938)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest .....	475,854	—	—	(475,854)	—	(475,854)	—
AEA flow through .....	758,746	—	758,746	—	—	—	—
Depreciation - unallocated .....	<u>5,776</u>	<u>—</u>	<u>—</u>	<u>(5,776)</u>	<u>—</u>	<u>(5,776)</u>	<u>—</u>
Total Other Expenditures .....	<u>1,240,376</u>	<u>—</u>	<u>758,746</u>	<u>(481,630)</u>	<u>—</u>	<u>(481,630)</u>	<u>—</u>
<b>Total Governmental Activities .....</b>	<b>23,704,192</b>	<b>2,247,300</b>	<b>2,828,807</b>	<b>(18,628,085)</b>	<b>—</b>	<b>(18,628,085)</b>	<b>—</b>
<b>Business-Type Activities</b>							
Noninstructional Programs							
Nutrition services .....	<u>938,077</u>	<u>596,662</u>	<u>358,881</u>	<u>—</u>	<u>17,466</u>	<u>17,466</u>	<u>—</u>
<b>Total .....</b>	<b>\$ 24,642,269</b>	<b>\$ 2,843,962</b>	<b>\$ 3,187,688</b>	<b>(18,628,085)</b>	<b>17,466</b>	<b>(18,610,619)</b>	<b>—</b>
<b>Component Unit</b>							
School Foundation .....	<u>\$ 17,740</u>	<u>\$ —</u>	<u>\$ 9,695</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,045)</u>
<b>General Revenue</b>							
Property Taxes Levied For							
General purposes .....				5,926,193	—	5,926,193	—
Management .....				250,347	—	250,347	—
PPEL .....				678,147	—	678,147	—
Debt service .....				53,059	—	53,059	—
Local option sales tax .....				1,314,192	—	1,314,192	—
Income surtax .....				809,537	—	809,537	—
Unrestricted State Grants							
General .....				10,062,104	—	10,062,104	—
Interest and investment earnings .....				363,086	2,226	365,312	13,546
Miscellaneous .....				180,466	—	180,466	—
<b>Total General Revenue .....</b>				<b>19,637,131</b>	<b>2,226</b>	<b>19,639,357</b>	<b>13,546</b>
<b>Change in Net Assets .....</b>				<b>1,009,046</b>	<b>19,692</b>	<b>1,028,738</b>	<b>5,501</b>
Net Assets - Beginning of Year, as originally reported .....				10,479,151	268,115	10,747,266	300,734
Prior period adjustment (Note 17) .....				59,582	17,030	76,612	—
Net Assets - Beginning of Year, as Restated .....				<u>10,538,733</u>	<u>285,145</u>	<u>10,823,878</u>	<u>300,734</u>
<b>Net Assets - End of Year .....</b>				<b>\$ 11,547,779</b>	<b>\$ 304,837</b>	<b>\$ 11,852,616</b>	<b>\$ 306,235</b>

See accompanying notes to the financial statements.

## Balance Sheet - Governmental Funds

At June 30, 2008

	General	Capital Projects	All Other Nonmajor	Total
<b>Assets</b>				
Cash and Pooled Investments				
ISCAP .....	\$ 4,492,622	\$ —	\$ —	\$ 4,492,622
Other .....	2,527,022	1,525,696	951,556	5,004,274
Receivables				
Property Taxes, Net				
Current year delinquent.....	88,837	—	14,515	103,352
Succeeding year .....	5,737,930	—	1,210,620	6,948,550
Other .....	50,550	—	—	50,550
ISCAP accrued interest.....	30,715	—	—	30,715
Due from other funds .....	21,708	—	1,463	23,171
Due from other governments .....	1,024,630	375,794	—	1,400,424
Prepaid insurance.....	3,503	—	—	3,503
<b>Total Assets .....</b>	<b><u>\$ 13,977,517</u></b>	<b><u>\$ 1,901,490</u></b>	<b><u>\$ 2,178,154</u></b>	<b><u>\$ 18,057,161</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 333,840	\$ 110,659	\$ 47,017	\$ 491,516
Salaries and benefits payable .....	1,818,159	—	—	1,818,159
Due to other funds .....	1,644	—	21,708	23,352
ISCAP warrants payable .....	4,466,000	—	—	4,466,000
ISCAP accrued interest payable.....	33,194	—	—	33,194
ISCAP unamortized premium .....	53,250	—	—	53,250
Deferred Revenue				
Succeeding year property taxes ...	5,737,930	—	1,210,620	6,948,550
Other .....	850,094	—	—	850,094
<b>Total Liabilities .....</b>	<b><u>13,294,111</u></b>	<b><u>110,659</u></b>	<b><u>1,279,345</u></b>	<b><u>14,684,115</u></b>
<b>Fund Balances</b>				
Reserved For				
Capital projects .....	—	1,790,831	—	1,790,831
Debt service .....	—	—	150,251	150,251
Market factor .....	20,845	—	—	20,845
Prepaid insurance .....	3,503	—	—	3,503
Unreserved .....	659,058	—	748,558	1,407,616
<b>Total Fund Balances .....</b>	<b><u>683,406</u></b>	<b><u>1,790,831</u></b>	<b><u>898,809</u></b>	<b><u>3,373,046</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 13,977,517</u></b>	<b><u>\$ 1,901,490</u></b>	<b><u>\$ 2,178,154</u></b>	<b><u>\$ 18,057,161</u></b>

See accompanying notes to the financial statements.

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

---

At June 30, 2008

<b>Total Fund Balances for Governmental Funds (Page 17).....</b>		<b>\$ 3,373,046</b>
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds .....		18,865,395
Internal service fund used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.....		3,079
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds .....		856,654
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.....		(75,085)
Long-term liabilities, including capital loan notes, general obligation bonds and early retirement benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds payable.....	\$ (11,115,000)	
Capital loan notes .....	(230,000)	
Early retirement benefits .....	<u>(130,310)</u>	<u>(11,475,310)</u>
<b>Net Assets of Governmental Activities (Page 15) .....</b>		<b><u>\$ 11,547,779</u></b>

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2008

	General	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
<b>Revenue</b>				
Local Sources				
Local taxes.....	\$ 6,705,662	\$ 1,314,192	\$ 981,491	\$ 9,001,345
Tuition .....	1,835,631	—	—	1,835,631
Other .....	524,346	19,310	470,170	1,013,826
State sources.....	12,158,734	—	—	12,158,734
Federal sources.....	505,112	—	101,419	606,531
<b>Total Revenue.....</b>	<b><u>21,729,485</u></b>	<b><u>1,333,502</u></b>	<b><u>1,553,080</u></b>	<b><u>24,616,067</u></b>
<b>Expenditures</b>				
Current				
Instruction				
Regular instruction .....	10,027,375	—	270,480	10,297,855
Special instruction.....	3,723,582	—	—	3,723,582
Other instruction.....	1,022,028	—	346,140	1,368,168
<b>Total Instruction.....</b>	<b><u>14,772,985</u></b>	<b><u>—</u></b>	<b><u>616,620</u></b>	<b><u>15,389,605</u></b>
Support Services				
Student services.....	768,736	—	4,816	773,552
Instructional staff services.....	545,689	—	8,999	554,688
Administration services .....	2,231,757	—	73,690	2,305,447
Operation and maintenance of plant services .....	1,964,028	—	298,820	2,262,848
Transportation services.....	435,782	—	120,796	556,578
<b>Total Support Services.....</b>	<b><u>5,945,992</u></b>	<b><u>—</u></b>	<b><u>507,121</u></b>	<b><u>6,453,113</u></b>
Other Expenditures				
Facilities acquisition and construction.....	—	11,419	417,689	429,108
Long-Term Debt				
Principal .....	—	—	725,000	725,000
Interest and fiscal charges .....	—	—	481,030	481,030
AEA flowthrough .....	758,746	—	—	758,746
<b>Total Other Expenditures .....</b>	<b><u>758,746</u></b>	<b><u>11,419</u></b>	<b><u>1,623,719</u></b>	<b><u>2,393,884</u></b>
<b>Total Expenditures .....</b>	<b><u>21,477,723</u></b>	<b><u>11,419</u></b>	<b><u>2,747,460</u></b>	<b><u>24,236,602</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>251,762</u></b>	<b><u>1,322,083</u></b>	<b><u>(1,194,380)</u></b>	<b><u>379,465</u></b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in.....	—	—	988,990	988,990
Operating transfers out.....	(23,675)	(743,568)	(221,747)	(988,990)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>(23,675)</u></b>	<b><u>(743,568)</u></b>	<b><u>767,243</u></b>	<b><u>—</u></b>
<b>Net Change in Fund Balances.....</b>	<b><u>228,087</u></b>	<b><u>578,515</u></b>	<b><u>(427,137)</u></b>	<b><u>379,465</u></b>
Fund Balance - Beginning of Year,				
as originally reported.....	322,118	1,212,316	1,399,565	2,933,999
Prior period adjustment (Note 17) ....	133,201	—	(73,619)	59,582
Fund Balance - Beginning of Year, as Restated.....	455,319	1,212,316	1,325,946	2,993,581
<b>Fund Balance - End of Year.....</b>	<b><u>\$ 683,406</u></b>	<b><u>\$ 1,790,831</u></b>	<b><u>\$ 898,809</u></b>	<b><u>\$ 3,373,046</u></b>

See accompanying notes to the financial statements.

# Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2008

**Change in Fund Balances - Total Governmental Funds (Page 19) \$ 379,465**

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays.....	\$ 444,924	
Depreciation expense .....	<u>(592,085)</u>	(147,161)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.....		725,000
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

Certain revenue not collected for several months after year end is not considered available revenue and is deferred in governmental funds

Prior period.....	\$ (759,483)	
Current period .....	<u>856,654</u>	97,171

Interest on long-term liabilities 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 .....		5,176
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------

Internal service funds used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.....		3,079
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------

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

Early retirement benefits. ....		<u>(53,684)</u>
---------------------------------	--	-----------------

**Change in Net Assets of Governmental Activities (Page 16) \$ 1,009,046**

# Statement of Net Assets - Proprietary Funds

At June 30, 2008

	<b>Total Nonmajor Enterprise Funds</b>	<b>Internal Service Fund Self-Insurance Fund</b>
<b>Assets</b>		
Cash and cash equivalents .....	\$ 80,708	\$ 12,464
Receivable - other .....	12,836	—
Due from other funds.....	181	—
Inventories and prepaid items .....	33,190	—
Capital assets, net of accumulated depreciation .....	<u>198,110</u>	<u>—</u>
<b>Total Assets</b> .....	<b><u>\$ 325,025</u></b>	<b><u>\$ 12,464</u></b>
<b>Liabilities</b>		
Accounts payable .....	\$ —	\$ 2,825
Salaries and benefits payable .....	12,188	—
Note payable .....	8,000	—
Deferred revenue.....	<u>—</u>	<u>6,560</u>
<b>Total Liabilities</b> .....	<b><u>20,188</u></b>	<b><u>9,385</u></b>
<b>Net Assets</b>		
Invested in capital assets .....	198,110	—
Unrestricted .....	<u>106,727</u>	<u>3,079</u>
<b>Total Net Assets</b> .....	<b><u>304,837</u></b>	<b><u>3,079</u></b>
<b>Total Liabilities and Net Assets</b> .....	<b><u>\$ 325,025</u></b>	<b><u>\$ 12,464</u></b>

# Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds

---

Year Ended June 30, 2008

	<b>Total Nonmajor Enterprise Funds</b>	<b>Internal Service Fund Self-Insurance Fund</b>
<b>Operating Revenue</b>		
Charges for service .....	\$ 596,662	\$ —
Self-insurance contributions .....	<u>—</u>	<u>75,772</u>
<b>Total Operating Revenue</b> .....	<b><u>596,662</u></b>	<b><u>75,772</u></b>
<b>Operating Expenses</b>		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	320,762	—
Purchased services.....	1,909	—
Supplies .....	593,274	—
Depreciation .....	22,132	—
Self-insurance claims and fees.....	<u>—</u>	<u>72,701</u>
<b>Total Operating Expenses</b> .....	<b><u>938,077</u></b>	<b><u>72,701</u></b>
<b>Income (Loss) From Operations</b> .....	<b><u>(341,415)</u></b>	<b><u>3,071</u></b>
<b>Nonoperating Revenue</b>		
State sources.....	9,114	—
Federal sources.....	349,767	—
Interest on investments .....	<u>2,226</u>	<u>8</u>
<b>Total Nonoperating Revenue</b> .....	<b><u>361,107</u></b>	<b><u>8</u></b>
<b>Change in Net Assets</b> .....	<b><u>19,692</u></b>	<b><u>3,079</u></b>
Net Assets - Beginning of Year, as originally reported .....	268,115	—
Prior period adjustment (Note 17) .....	<u>17,030</u>	<u>—</u>
Net Assets - Beginning of Year, as Restated .....	<u>285,145</u>	<u>—</u>
<b>Net Assets - End of Year</b> .....	<b><u>\$ 304,837</u></b>	<b><u>\$ 3,079</u></b>

## Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2008

	Total Nonmajor Enterprise Funds	Internal Service Fund Self-Insurance Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from sale of lunches and breakfasts.....	\$ 593,676	\$ —
Cash received from assessments made to other funds .....	—	82,332
Cash payments to employees for services.....	(320,677)	—
Cash payments to suppliers for goods and services .....	(563,539)	—
Cash payments for insurance claims.....	—	(69,876)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>(290,540)</u></b>	<b><u>12,456</u></b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>		
State grants received.....	9,114	—
Federal grants received.....	317,942	—
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>327,056</u></b>	<b><u>—</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets .....	(38,283)	—
Proceeds from short-term borrowing .....	8,000	—
<b>Net Cash Used in Capital and Related Financing Activities...</b>	<b><u>(30,283)</u></b>	<b><u>—</u></b>
<b>Cash Flows From Investment Activities</b>		
Interest on investments .....	2,226	8
<b>Net Increase in Cash and Cash Equivalents .....</b>	<b>8,459</b>	<b>12,464</b>
Cash and Cash Equivalents at Beginning of Year.....	72,249	—
<b>Cash and Cash Equivalents at End of Year .....</b>	<b><u>\$ 80,708</u></b>	<b><u>\$ 12,464</u></b>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities</b>		
Income (loss) from operations .....	\$ (341,415)	\$ 3,071
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used .....	31,417	—
Depreciation .....	22,132	—
Changes in Assets and Liabilities		
Decrease in inventories and prepaid items .....	408	—
Increase in accounts receivable .....	(2,986)	—
Increase in due from other funds.....	(181)	—
Increase in salaries and benefits payable .....	85	—
Increase in accounts payable.....	—	2,825
Increase in deferred revenue .....	—	6,560
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>\$ (290,540)</u></b>	<b><u>\$ 12,456</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2008, the District received \$31,825 of federal commodities.

See accompanying notes to the financial statements.

# Statement of Fiduciary Net Assets - Fiduciary Fund ---

At June 30, 2008

	<b>Private Purpose Trusts</b>
<b>Assets</b>	
Cash, Cash Equivalents and Pooled Investments .....	<u>\$ 162,021</u>
<b>Liabilities</b>	
Accounts payable .....	\$ 417
<b>Net Assets</b>	
Reserved for scholarships .....	<u>161,604</u>
<b>Total Liabilities and Net Assets .....</b>	<u><b>\$ 162,021</b></u>

# Statement of Changes in Fiduciary Net Assets - Fiduciary Fund ---

Year Ended June 30, 2008

	<b>Private Purpose Trusts</b>
<b>Additions</b>	
Local Sources	
Gifts and contributions .....	\$ 5,208
Interest income .....	<u>5,045</u>
Total Additions .....	10,253
<b>Deductions</b>	
Support Services	
Scholarships awarded.....	<u>10,048</u>
<b>Change in Net Assets</b> .....	<b>205</b>
Net Assets - Beginning of Year .....	<u>161,399</u>
<b>Net Assets - End of Year</b> .....	<b><u>\$ 161,604</u></b>

### **(1) Summary of Significant Accounting Policies**

The Boone Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

#### **Reporting Entity**

For financial reporting purposes, the Boone Community School District has included all funds, organizations, account groups, 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.

These financial statements present the Boone Community School District and its component units. The District has determined that under the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, Boone A & M FFA Chapter is a component unit. Its activities are included as an enterprise fund of the District. In addition, the component unit discussed below has been included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

#### **Discretely Presented Component Unit**

The Boone Educational Endowment Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for activities of the Boone Community School District. The Foundation is governed by a six-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for its year end of December 31, 2007.

#### **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 Boone County Assessor's Conference Board.

## (1) Summary of Significant Accounting Policies

### Basis of Presentation

#### ***District-Wide Financial Statements***

The statement of net assets and the statement of activities report information on all 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 revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary 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 that are attributed 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 that are imposed by management, but 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

#### ***Fund Financial Statements***

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

The District reports the following major governmental funds:

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

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

## Notes to the Financial Statements

---

### (1) Summary of Significant Accounting Policies

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Student Enterprise Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Student Enterprise Fund is used to account for activities of student-run enterprises operating to support school programs.

The District's internal service fund is the Self-Insurance Fund. This fund is used to account for the self-funded dental insurance plan operated by the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

### Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program 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 revenue.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

### Assets, Liabilities and Fund Equity

#### ***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 nonnegotiable certificates of deposit which are stated at cost.

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

#### ***Property Taxes Receivable***

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes receivable represent 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 taxes receivable has been recorded, the related revenue is deferred in both the District-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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### ***Due From Other Governments***

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

### ***Food Inventories***

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. At June 30, 2008, total inventories included government commodities valued at \$7,560 which were on hand. Expenditures are recognized when the inventory is used.

### ***Capital Assets***

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

Land .....	\$ 5,000
Buildings.....	5,000
Improvements other than buildings .....	5,000
Furniture and Equipment	
School Nutrition equipment.....	500
Other furniture and equipment .....	5,000

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings.....	50 Years
Improvements other than buildings .....	20 - 50 Years
Equipment.....	10 Years

### ***Salaries and Benefits Payable***

Payroll and related expenditures for teachers and staff with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

### ***Deferred Revenue***

Although certain revenue is measurable, it is 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 taxes receivable and other receivables not collected within 60 days after year end.

Deferred revenue on the statement of net assets includes succeeding year property taxes receivable that will not be recognized as revenue until the year for which it is levied.

## (1) Summary of Significant Accounting Policies

### ***Long-Term Obligations***

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

### ***Fund Balances***

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 District-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.

## **Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the noninstructional programs function.

## **Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **Classification Changes**

Certain items in the 2007 financial statements have been reclassified due to prior period misstatements. The effects of these reclassifications on the financial statements are disclosed in Note 17.

## (2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2008 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.

## Notes to the Financial Statements

---

### (2) Cash, Cash Equivalents and Pooled Investments

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$1,178,221. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

#### Concentration of Credit Risk

The District's Private Purpose Trust Fund investments consist of \$35,298 in certificates of deposits with maturities ranging from July, 2008 to May, 2011.

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

### (3) Due From and Due to Other Funds

The detail of the interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue	
	Student Account	\$ 16,265
	PPEL	<u>5,443</u>
		<u>21,708</u>
Special Revenue		
Student Account	General	<u>1,463</u>
Enterprise		
School Nutrition	General	<u>181</u>
<b>Total</b>		<b><u>\$ 23,352</u></b>

### (4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
Special Revenue		
Student Account	General	\$ <u>23,675</u>
Debt Service	Capital Projects	743,568
	Special Revenue	
	PPEL	<u>221,747</u>
		<u>965,315</u>
<b>Total</b>		<b><u>\$ 988,990</u></b>

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

## Notes to the Financial Statements

### (5) Iowa School Cash Anticipation Program

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, which mature as noted below. 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. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2007-08B	1-23-08	1-23-09	\$ 1,985,353	\$ 29,764	\$ 1,979,000	\$ 32,240	\$ 10,598
2008-09A	6-26-08	6-25-09	<u>2,507,269</u>	<u>951</u>	<u>2,487,000</u>	<u>954</u>	<u>42,652</u>
<b>Total</b>			<b><u>\$ 4,492,622</u></b>	<b><u>\$ 30,715</u></b>	<b><u>\$ 4,466,000</u></b>	<b><u>\$ 33,194</u></b>	<b><u>\$ 53,250</u></b>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance - Beginning of Year	Advances Received	Advances Repaid	Balance - End of Year
2007-08A	<u>\$ —</u>	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	<u>\$ —</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.75%	3.451%
2008-09A	3.50	3.469

## Notes to the Financial Statements

### (6) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land .....	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress .....	<u>1,615</u>	<u>—</u>	<u>1,615</u>	<u>—</u>
Total Capital Assets Not Being Depreciated.....	<u>321,047</u>	<u>—</u>	<u>1,615</u>	<u>319,432</u>
Capital Assets Being Depreciated				
Buildings and improvements .....	27,630,319	216,434	—	27,846,753
Furniture and equipment .....	<u>1,353,693</u>	<u>230,105</u>	<u>—</u>	<u>1,583,798</u>
Total Capital Assets Being Depreciated.....	<u>28,984,012</u>	<u>446,539</u>	<u>—</u>	<u>29,430,551</u>
Less Accumulated Depreciation For				
Buildings and improvements .....	9,568,189	481,698	—	10,049,887
Furniture and equipment .....	<u>724,314</u>	<u>110,387</u>	<u>—</u>	<u>834,701</u>
Total Accumulated Depreciation ..	<u>10,292,503</u>	<u>592,085</u>	<u>—</u>	<u>10,884,588</u>
Net Total Capital Assets Being Depreciated.....	<u>18,691,509</u>	<u>(145,546)</u>	<u>—</u>	<u>18,545,963</u>
<b>Net Governmental Activities</b>				
<b>Capital Assets</b> .....	<u><b>\$ 19,012,556</b></u>	<u><b>\$ (145,546)</b></u>	<u><b>\$ 1,615</b></u>	<u><b>\$ 18,865,395</b></u>
<b>Business-Type Activities</b>				
Furniture and equipment .....	\$ 271,025	\$ 38,283	\$ —	\$ 309,308
Less accumulated depreciation .....	<u>89,066</u>	<u>22,132</u>	<u>—</u>	<u>111,198</u>
<b>Net Business-Type Activities</b>				
<b>Capital Assets</b> .....	<u><b>\$ 181,959</b></u>	<u><b>\$ 16,151</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 198,110</b></u>

Depreciation expense was charged as follows:

<b>Governmental Activities</b>		
Instruction		
Regular.....		\$ 512,464
Other .....		2,671
Support Services		
Instructional staff services .....		1,038
Administrative services .....		3,770
Operation and maintenance of plant services .....		11,764
Transportation .....		<u>54,602</u>
Subtotal .....		586,309
Unallocated .....		<u>5,776</u>
<b>Total Governmental Activities Depreciation Expense</b> .....		<u><b>\$ 592,085</b></u>
<b>Business-Type Activities</b>		
Food Service .....		<u><b>\$ 22,132</b></u>

## Notes to the Financial Statements

### (7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds	\$ 11,625,000	\$ —	\$ 510,000	\$ 11,115,000	\$ 525,000
General obligation capital loan notes .....	445,000	—	215,000	230,000	230,000
Early retirement .....	76,626	130,310	76,626	130,310	130,310
<b>Total .....</b>	<b><u>\$ 12,146,626</u></b>	<b><u>\$ 130,310</u></b>	<b><u>\$ 801,626</u></b>	<b><u>\$ 11,475,310</u></b>	<b><u>\$ 885,310</u></b>

### General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

June 30,	Bond Issue of December 1, 2003		Bond Issue of May 1, 2004 Series 2004A			Total		
	Interest Rates	Principal	Interest Rates	Principal	Interest	Principal	Interest	
2009	4.00 - 4.50%	\$ —	\$ 216,120	3.50%	\$ 525,000	\$ 233,166	\$ 525,000	\$ 449,286
2010	4.00 - 4.50	—	216,120	3.50	545,000	214,790	545,000	430,910
2011	4.00 - 4.50	—	216,120	3.50	565,000	195,716	565,000	411,836
2012	4.00 - 4.50	—	216,120	3.50	585,000	175,940	585,000	392,060
2013	4.00 - 4.50	—	216,120	3.50	600,000	155,666	600,000	371,786
2014-18	4.00 - 4.20	1,685,000	1,014,440	3.6 - 4.10	1,635,000	497,710	3,320,000	1,512,150
2019-23	4.30 - 4.50	3,315,000	456,420	4.2 - 4.45	740,000	307,028	4,055,000	763,448
2024-28	—	—	—	4.50	920,000	41,400	920,000	41,400
<b>Total</b>		<b><u>\$ 5,000,000</u></b>	<b><u>\$ 2,551,460</u></b>		<b><u>\$ 6,115,000</u></b>	<b><u>\$ 1,821,416</u></b>	<b><u>\$ 11,115,000</u></b>	<b><u>\$ 4,372,876</u></b>

### Notes Payable

Details of the District's June 30, 2008 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	PPEL Note Issue of May 1, 2004 - Series 2004B		
	Interest Rates	Principal	Interest
2009.....	3.25%	<u>\$ 230,000</u>	<u>\$ 7,476</u>

Details of the District's June 30, 2008 Student Enterprise Fund's note payable is as follows:

Year Ending June 30,	Farm Credit Services of America Youth in Agriculture Loan		
	Interest Rates	Principal	Interest
2009.....	5.90%	<u>\$ 8,000</u>	<u>\$ 142</u>

## Notes to the Financial Statements

---

### (8) Operating Leases

The District leases several pieces of equipment with terms ranging from four to five years, under operating leases. The District has also leased facilities within the area to house its homeschool. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008.

Year Ending June 30,	
2009.....	\$ 30,692
2010.....	30,692
2011.....	11,132
2012.....	<u>4,612</u>
<b>Total</b> .....	<b><u>\$ 77,128</u></b>

Total rental expenditures for the year ended June 30, 2008 for all operating leases, except those with terms of a month or less that were not renewed, was \$35,492.

### (9) Pension Plan

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 3.9% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$835,507, \$750,093 and \$691,122, respectively, equal to the required contributions for each year.

### (10) Risk Management

The Boone 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.

## Notes to the Financial Statements

---

### **(11) Area Education Agency Support**

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 \$758,746 for the year ended June 30, 2008, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(12) Early Retirement**

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least 15 years of full-time services as a licensed employee since the last date of hire and must have reached the age of 55 on or before June 30 in the calendar year in which early retirement commences. The employee must also meet the rule of "74" (the employee's age plus years of service equal to at least 74). The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 30% of the employee's regular contractual salary in effect during the employee's last year of regular employment plus \$10,000. Early retirement expenditures for the year ended June 30, 2008 totaled \$130,310.

### **(13) Construction Commitments**

The District has entered into contracts totaling approximately \$200,000 for various school renovation projects. As of June 30, 2008, no costs had been incurred against the contracts. The contracted amounts will be paid as work on the projects progresses.

### **(14) Financial Condition**

Of the District's student activity accounts, 24 had a deficit fund balance at June 30, 2008.

### **(15) Contingent Liability for Sick Leave Time**

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave at June 30, 2008 was approximately \$1,971,000.

### **(16) Employee Dental Plan**

The District currently sponsors a self-funded dental plan. Under this plan, employees contribute a portion of their compensation and retirees and COBRA participants contribute the total cost toward the cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

## Notes to the Financial Statements

### (16) Employee Dental Plan

The following is a summary of the claims activity for the year ended June 30, 2008:

Estimated claims incurred but not reported - June 30, 2007 .....	\$ —
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2008 .....	75,526
Claims paid during the year ended June 30, 2008 .....	(72,701)
<b>Estimated Claims Incurred But Not Reported - June 30, 2008 .....</b>	<b><u>\$ 2,825</u></b>

### (17) Prior Period Restatement

General Fund expenditures for the year ended June 30, 2007 included items totaling \$73,319 that were allowed and the District retroactively reallocated expenses to another fund to increase the District's spending authority. The District also discovered additional expenses that were eligible to apply to grant funding received in the prior year resulting in prior year deferred revenue to be overstated and prior year revenue to be understated by \$42,315. The District also realized that prior year general fund accounts payable and expenditures were overstated by \$17,267.

Additionally, management determined the Student Enterprise Fund was not properly included in the prior year financial statement.

The effect of restatement on fund beginning fund balances was as follows:

	General Fund	Capital Projects LOSST	Nonmajor Governmental Funds				Nonmajor Enterprise Funds			
			Special Revenue Funds				Total	Nutrition	Student Enterprise	Total
			Management Account	Student Account	PPEL Fund	Debt Service				
Fund Balance - Beginning of Year, as previously reported..	\$ 322,118	\$ 1,212,316	\$ 184,830	\$ 166,131	\$ 725,461	\$ 323,143	\$ 2,933,999	\$ 268,115	\$ —	\$ 268,115
Reallocation of expenditures.....	115,934	—	—	—	(73,619)	—	42,315	—	—	—
Accounts payable overstatement.....	17,267	—	—	—	—	—	17,267	—	—	—
Student Enterprise Fund .....	—	—	—	—	—	—	—	—	17,030	17,030
<b>Fund Balance - Beginning of Year, as Restated</b>	<b><u>\$ 455,319</u></b>	<b><u>\$ 1,212,316</u></b>	<b><u>\$ 184,830</u></b>	<b><u>\$ 166,131</u></b>	<b><u>\$ 651,842</u></b>	<b><u>\$ 323,143</u></b>	<b><u>\$ 2,993,581</u></b>	<b><u>\$ 268,115</u></b>	<b><u>\$ 17,030</u></b>	<b><u>\$ 285,145</u></b>

## Notes to the Financial Statements

---

### (17) Prior Period Restatement

The effect of the restatement on District-wide beginning fund balances was as follows:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
Net Assets - Beginning of Year, as previously reported.....	\$ 10,479,151	\$ 268,115	\$ 10,747,266
Reallocation of expenditures .....	42,315	—	42,315
Accounts payable overstatement .....	17,267	—	17,267
Student Enterprise Fund.....	—	17,030	17,030
<b>Net Assets - Beginning of Year, as Restated .....</b>	<b><u>\$ 10,538,733</u></b>	<b><u>\$ 285,145</u></b>	<b><u>\$ 10,823,878</u></b>

**Required Supplementary Information**

---

## Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2008

	Governmental Fund Types - Actual	Proprietary Fund - Actual	Total	Original Budget	Final Budget	Final to Actual Variance
<b>Receipts</b>						
Local sources .....	\$ 11,850,802	\$ 598,888	\$ 12,449,690	\$ 12,124,185	\$ 12,124,185	\$ 325,505
State sources .....	12,158,734	9,114	12,167,848	12,716,471	12,716,471	(548,623)
Federal sources .....	606,531	349,767	956,298	584,000	584,000	372,298
<b>Total Receipts .....</b>	<b><u>24,616,067</u></b>	<b><u>957,769</u></b>	<b><u>25,573,836</u></b>	<b><u>25,424,656</u></b>	<b><u>25,424,656</u></b>	<b><u>149,180</u></b>
<b>Disbursements</b>						
Instruction.....	15,389,605	—	15,389,605	15,898,500	16,898,500	1,508,895
Support services .....	6,453,113	—	6,453,113	6,589,400	7,000,000	546,887
Noninstructional programs	—	938,077	938,077	695,000	770,000	(168,077)
Other expenditures.....	2,393,884	—	2,393,884	1,989,059	2,489,059	95,175
<b>Total Disbursements ..</b>	<b><u>24,236,602</u></b>	<b><u>938,077</u></b>	<b><u>25,174,679</u></b>	<b><u>25,171,959</u></b>	<b><u>27,157,559</u></b>	<b><u>1,982,880</u></b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>379,465</b>	<b>19,692</b>	<b>399,157</b>	<b>252,697</b>	<b>(1,732,903)</b>	<b>(2,132,060)</b>
<b>Other Financing Sources (Uses).....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements</b>	<b><u>379,465</u></b>	<b><u>19,692</u></b>	<b><u>399,157</u></b>	<b><u>257,697</u></b>	<b><u>(1,727,903)</u></b>	<b><u>\$(2,127,060)</u></b>
Balance - Beginning of Year, as originally reported	2,933,999	268,115	3,202,114	2,882,448	2,882,448	
Prior period adjustment (Note 17).....	59,582	17,030	76,612	—	—	
Balance - Beginning of Year, as Restated.....	2,993,581	285,145	3,278,726	2,882,448	2,882,448	
<b>Balance - End of Year ....</b>	<b><u>\$ 3,373,046</u></b>	<b><u>\$ 304,837</u></b>	<b><u>\$ 3,677,883</u></b>	<b><u>\$ 3,140,145</u></b>	<b><u>\$ 1,154,545</u></b>	

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.

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 and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, noninstructional programs and other expenditures. 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 Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budget expenditures by \$1,985,600.

During the year ended June 30, 2008, expenditures in the noninstruction programs function exceeded the amount budgeted.

**Other Supplementary Information**

---

# Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2008

	Special Revenue Funds			Debt Service	Total Nonmajor Governmental Funds
	Management Account	Student Account	PPEL Fund		
<b>Assets</b>					
Cash and pooled investments .....	\$ 37,987	\$ 251,107	\$ 512,992	\$ 149,470	\$ 951,556
Receivables					
Property Taxes, Net					
Current year delinquent	3,753	—	9,981	781	14,515
Succeeding year .....	481,127	—	673,221	56,272	1,210,620
Due from other funds .....	—	1,463	—	—	1,463
<b>Total Assets .....</b>	<b>\$ 522,867</b>	<b>\$ 252,570</b>	<b>\$ 1,196,194</b>	<b>\$ 206,523</b>	<b>\$ 2,178,154</b>
<b>Liabilities and Equities</b>					
<b>Liabilities</b>					
Accounts payable .....	\$ —	\$ 29,405	\$ 17,612	\$ —	\$ 47,017
Due to other funds .....	—	16,265	5,443	—	21,708
Deferred Revenue					
Succeeding year					
property taxes .....	481,127	—	673,221	56,272	1,210,620
<b>Total Liabilities .....</b>	<b>481,127</b>	<b>45,670</b>	<b>696,276</b>	<b>56,272</b>	<b>1,279,345</b>
<b>Equities</b>					
Unreserved, undesignated fund balance .....	41,740	206,900	499,918	150,251	898,809
<b>Total Liabilities and Equities .....</b>	<b>\$ 522,867</b>	<b>\$ 252,570</b>	<b>\$ 1,196,194</b>	<b>\$ 206,523</b>	<b>\$ 2,178,154</b>

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			Debt Service	Total Nonmajor Governmen- tal Funds
	Management Account	Student Account	PPEL Fund		
<b>Revenue</b>					
Local Sources					
Local taxes .....	\$ 250,347	\$ —	\$ 678,147	\$ 52,997	\$ 981,491
Other .....	32,477	369,299	53,568	14,826	470,170
Federal sources .....	—	—	101,419	—	101,419
<b>Total Revenue .....</b>	<b><u>282,824</u></b>	<b><u>369,299</u></b>	<b><u>833,134</u></b>	<b><u>67,823</u></b>	<b><u>1,553,080</u></b>
<b>Expenditures</b>					
Instruction					
Regular instruction .....	139,303	—	131,177	—	270,480
Other instruction .....	—	346,140	—	—	346,140
Total Instruction .....	<u>139,303</u>	<u>346,140</u>	<u>131,177</u>	<u>—</u>	<u>616,620</u>
Support Services					
Student services .....	4,816	—	—	—	4,816
Instructional staff services	8,999	—	—	—	8,999
Administration services ...	36,257	6,065	31,368	—	73,690
Operation and mainten- ance of plant services ....	197,729	—	101,091	—	298,820
Transportation services ...	38,810	—	81,986	—	120,796
Total Support Services	<u>286,611</u>	<u>6,065</u>	<u>214,445</u>	<u>—</u>	<u>507,121</u>
Other Expenditures					
Facilities acquisition and construction .....	—	—	417,689	—	417,689
Long-Term Debt					
Principal .....	—	—	—	725,000	725,000
Interest and fiscal charges	—	—	—	481,030	481,030
Total Other Expenditures	<u>—</u>	<u>—</u>	<u>417,689</u>	<u>1,206,030</u>	<u>1,623,719</u>
<b>Total Expenditures .....</b>	<b><u>425,914</u></b>	<b><u>352,205</u></b>	<b><u>763,311</u></b>	<b><u>1,206,030</u></b>	<b><u>2,747,460</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>(143,090)</u></b>	<b><u>17,094</u></b>	<b><u>69,823</u></b>	<b><u>(1,138,207)</u></b>	<b><u>(1,194,380)</u></b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in .....	—	23,675	—	965,315	988,990
Operating transfers out .....	—	—	(221,747)	—	(221,747)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>—</u></b>	<b><u>23,675</u></b>	<b><u>(221,747)</u></b>	<b><u>965,315</u></b>	<b><u>767,243</u></b>
<b>Net Change in Fund Balance .....</b>					
<b>Balance .....</b>	<b><u>(143,090)</u></b>	<b><u>40,769</u></b>	<b><u>(151,924)</u></b>	<b><u>(172,892)</u></b>	<b><u>(427,137)</u></b>
Fund Balance - Beginning of Year, as originally reported	184,830	166,131	725,461	323,143	1,399,565
Prior period adjustment (Note 17) .....	—	—	(73,619)	—	(73,619)
Fund Balance - Beginning of Year, as Restated .....	<u>184,830</u>	<u>166,131</u>	<u>651,842</u>	<u>323,143</u>	<u>1,325,946</u>
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 41,740</u></b>	<b><u>\$ 206,900</u></b>	<b><u>\$ 499,918</u></b>	<b><u>\$ 150,251</u></b>	<b><u>\$ 898,809</u></b>

See accompanying notes to the financial statements.

# Combining Schedule of Net Assets - Nonmajor Proprietary Funds

At June 30, 2008

	School Nutrition	Student Enterprise	Total
<b>Assets</b>			
Cash and cash equivalents .....	\$ 76,668	\$ 4,040	\$ 80,708
Receivable - other .....	12,836	—	12,836
Due from other funds.....	181	—	181
Inventories and prepaid items .....	18,553	14,637	33,190
Capital assets, net of accumulated depreciation	<u>198,110</u>	<u>—</u>	<u>198,110</u>
<b>Total Assets .....</b>	<b><u>\$ 306,348</u></b>	<b><u>\$ 18,677</u></b>	<b><u>\$ 325,025</u></b>
<b>Liabilities</b>			
Salaries and benefits payable .....	\$ 12,188	\$ —	\$ 12,188
Note payable .....	<u>—</u>	<u>8,000</u>	<u>8,000</u>
<b>Total Liabilities.....</b>	<b><u>12,188</u></b>	<b><u>8,000</u></b>	<b><u>20,188</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt ....	198,110	—	198,110
Unrestricted .....	<u>96,050</u>	<u>10,677</u>	<u>106,727</u>
<b>Total Net Assets.....</b>	<b><u>294,160</u></b>	<b><u>10,677</u></b>	<b><u>304,837</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 306,348</u></b>	<b><u>\$ 18,677</u></b>	<b><u>\$ 325,025</u></b>

## Combining Schedule of Revenue, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds

---

Year Ended June 30, 2008

	School Nutrition	Student Enterprise	Total
<b>Operating Revenue</b>			
Local Sources			
Charges for service .....	<u>\$ 533,814</u>	<u>\$ 62,848</u>	<u>\$ 596,662</u>
<b>Operating Expenses</b>			
Noninstructional Programs			
Food Service Operations			
Salaries and benefits.....	320,762	—	320,762
Purchased services.....	1,909	—	1,909
Supplies .....	524,067	69,207	593,274
Depreciation .....	<u>22,132</u>	<u>—</u>	<u>22,132</u>
<b>Total Operating Expenses</b> .....	<u><b>868,870</b></u>	<u><b>69,207</b></u>	<u><b>938,077</b></u>
<b>Loss From Operations</b> .....	<u><b>(335,056)</b></u>	<u><b>(6,359)</b></u>	<u><b>(341,415)</b></u>
<b>Nonoperating Revenue</b>			
State sources.....	9,114	—	9,114
Federal sources.....	349,767	—	349,767
Interest on investments .....	<u>2,220</u>	<u>6</u>	<u>2,226</u>
<b>Total Nonoperating Revenue</b> .....	<u><b>361,101</b></u>	<u><b>6</b></u>	<u><b>361,107</b></u>
<b>Change in Net Assets</b> .....	<u><b>26,045</b></u>	<u><b>(6,353)</b></u>	<u><b>19,692</b></u>
Net Assets - Beginning of Year, as originally reported.....	268,115	—	268,115
Prior period adjustment (Note 17) .....	<u>—</u>	<u>17,030</u>	<u>17,030</u>
Net Assets - Beginning of Year, as Restated .....	<u>268,115</u>	<u>17,030</u>	<u>285,145</u>
<b>Net Assets - End of Year</b> .....	<u><b>\$ 294,160</b></u>	<u><b>\$ 10,677</b></u>	<u><b>\$ 304,837</b></u>

See accompanying notes to the financial statements.

## Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2008

	School Nutrition	Student Enterprise	Total Nonmajor Enterprise Funds
<b>Cash Flows From Operating Activities</b>			
Cash received from sale of lunches and breakfasts.....	\$ 593,676	\$ —	\$ 593,676
Cash payments to employees for services.....	(320,677)	—	(320,677)
Cash payments to suppliers for goods and services.....	<u>(557,180)</u>	<u>(6,359)</u>	<u>(563,539)</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(284,181)</u></b>	<b><u>(6,359)</u></b>	<b><u>(290,540)</u></b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>			
State grants received.....	9,114	—	9,114
Federal grants received.....	<u>317,942</u>	<u>—</u>	<u>317,942</u>
<b>Net Cash Provided by Noncapital Financing Activities ..</b>	<b><u>327,056</u></b>	<b><u>—</u></b>	<b><u>327,056</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets.....	(38,283)	—	(38,283)
Proceeds from short-term borrowing.....	<u>—</u>	<u>8,000</u>	<u>8,000</u>
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b><u>(38,283)</u></b>	<b><u>8,000</u></b>	<b><u>(30,283)</u></b>
<b>Cash Flows From Investment Activities</b>			
Interest on investments .....	<u>2,220</u>	<u>6</u>	<u>2,226</u>
<b>Net Increase in Cash and Cash Equivalents.....</b>	<b>6,812</b>	<b>1,647</b>	<b>8,459</b>
Cash and Cash Equivalents at Beginning of Year.....	<u>69,856</u>	<u>2,393</u>	<u>72,249</u>
<b>Cash and Cash Equivalents at End of Year .....</b>	<b><u>\$ 76,668</u></b>	<b><u>\$ 4,040</u></b>	<b><u>\$ 80,708</u></b>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities</b>			
Loss from operations.....	\$ (335,056)	\$ (6,359)	\$ (341,415)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities			
Commodities used .....	31,417	—	31,417
Depreciation.....	22,132	—	22,132
Changes in Assets and Liabilities			
Decrease in inventories and prepaid items .....	408	—	408
Increase in accounts receivable.....	(2,986)	—	(2,986)
Increase in due from other funds.....	(181)	—	(181)
Increase in salaries and benefits payable .....	<u>85</u>	<u>—</u>	<u>85</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>\$ (284,181)</u></b>	<b><u>\$ (6,359)</u></b>	<b><u>\$ (290,540)</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2008, the District received \$31,825 of federal commodities.

# Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2008

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Donations (new middle school) .....	\$ 766	\$ —	\$ —	\$ 766
Drama.....	13,558	8,893	6,047	16,404
Speech .....	52	6,093	594	5,551
Musicals.....	396	—	—	396
Band uniforms .....	8,363	3,115	2,601	8,877
Cheerleading .....	6,113	5,618	6,396	5,335
Drill team .....	6,381	—	1,724	4,657
Basketball - B .....	16,709	12,051	8,866	19,894
State-sponsored tournament.....	12,191	13,130	11,316	14,005
Football - B .....	50,768	34,425	29,179	56,014
Baseball - B .....	(27,213)	9,522	10,737	(28,428)
Track - B.....	2,128	7,248	3,211	6,165
Cross Country - B.....	(2,817)	959	673	(2,531)
Tennis - B .....	(5,062)	830	2,161	(6,393)
Golf - B .....	(5,660)	398	421	(5,683)
Swimming - B .....	(219)	3,148	3,386	(457)
Wresting - B.....	3,520	7,050	4,360	6,210
Basketball - G.....	2,362	9,772	9,513	2,621
Volleyball - G .....	(17,116)	10,232	10,048	(16,932)
Softball - G.....	9,060	4,184	5,929	7,315
Track - G.....	12,694	2,073	1,649	13,118
Cross Country - G.....	(3,845)	932	488	(3,401)
Soccer - G .....	5,305	1,597	2,045	4,857
Tennis - G.....	(8,150)	723	1,942	(9,369)
Golf - G .....	(3,978)	375	220	(3,823)
Swimming - G .....	(2,073)	1,564	1,105	(1,614)
Miscellaneous athletics.....	(54,750)	68,170	23,405	(9,985)
RC woodworking .....	(6,427)	—	—	(6,427)
Dolphins.....	1,689	—	—	1,689
ID cards .....	76,383	10,525	86,908	—
Lockers .....	731	—	—	731
Art Club.....	229	—	—	229
Swim suits .....	2,899	—	6	2,893
Interest.....	6,190	—	—	6,190
Class Day .....	250	—	—	250
Class 2001.....	12	—	—	12

# Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2008

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Class 2004.....	\$ 34	\$ —	\$ —	\$ 34
Class 2005.....	102	—	—	102
Class 2006.....	42	—	—	42
Class 2007.....	42	—	—	42
Future Homemakers.....	95	—	—	95
Future Farmers.....	4,661	9,563	18,055	(3,831)
Junior Achievement.....	549	—	549	—
FFA vending.....	(3,502)	3,000	—	(502)
Activity miscellaneous.....	(10,105)	1,780	1,207	(9,532)
Activity fund balance.....	(331)	—	—	(331)
Foreign Language Club.....	9,187	10,434	12,563	7,058
Chess Club.....	159	—	—	159
Thespian Club.....	1,091	4,952	6,144	(101)
Peer Helpers.....	2,026	1,070	1,540	1,556
Life Connections Club.....	(874)	—	—	(874)
Pottery Club.....	50	—	—	50
National Honor Society.....	1,956	697	1,110	1,543
Student Council.....	1,337	13,432	11,386	3,383
Student Congress.....	1,993	5,579	6,163	1,409
SADD.....	305	—	205	100
SADD - MS.....	622	—	210	412
Journalism - Scroll.....	19,094	10,853	663	29,284
Spotlight.....	2,982	10,583	11,852	1,713
Yearbook - Middle School.....	329	3,371	3,637	63
RC Recycle.....	67	—	—	67
MOC.....	851	—	851	—
Prom.....	1,709	6,219	3,728	4,200
Intramurals.....	1,022	—	—	1,022
Elementary library.....	574	—	—	574
Bryant.....	(135)	—	—	(135)
Franklin (jump rope).....	326	—	71	255
Franklin (box top).....	4,625	20,541	21,593	3,573
Lincoln.....	1,122	328	351	1,099
Lowell box tops.....	1,065	686	456	1,295
Lowell.....	2,716	427	936	2,207
Page.....	1,028	582	—	1,610

## Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2008

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Page/Bryant art fundraiser.....	\$ 892	\$ —	\$ —	\$ 892
Construction Tech .....	2,140	131	113	2,158
Futures .....	1,470	266	894	842
PE (Iowa Games) .....	1,006	550	851	705
LEGO League.....	(363)	260	—	(103)
HS/MS library .....	3,854	—	—	3,854
HS principal activity miscellaneous ....	3,098	4,147	6,143	1,102
Reconnecting Youth Grant .....	1,050	—	—	1,050
Soccer boys.....	4,677	2,469	2,810	4,336
Fund balance combine 2005-06.....	(8,629)	30,664	30,691	(8,656)
Lift-A-Thon fund.....	—	2,722	727	1,995
Franklin Fit for Life.....	1,500	—	—	1,500
MS Art IA .....	851	—	—	851
Vocal music fund .....	(15,633)	45,285	17,606	12,046
MS outdoor working lab.....	1,588	5,688	6,568	708
Operations and maintenance pop .....	29	40	—	69
MS principal miscellaneous .....	617	2,277	1,735	1,159
MS activity fund .....	95	6,510	6,878	(273)
Tag fundraising.....	26	5,648	3,837	1,837
HS instrumental music.....	13,947	16,028	20,941	9,034
Adv speech fund.....	375	—	—	375
Red Cross fund.....	5,025	—	—	5,025
Lowell Wal-Mart volunteer.....	(472)	—	—	(472)
RC reclassified accounts .....	735	91	—	826
Key Club .....	—	1,200	482	718
Bryant Hatchery fund.....	—	140	48	92
MS vocal music .....	—	21,349	25,488	(4,139)
MS band fund .....	—	7,051	—	7,051
Orchestra fund.....	—	10,490	1,035	9,455
TSA High School .....	—	2,906	1,421	1,485
Dors for Dogs fund .....	—	410	109	301
Football score board.....	—	17,500	3,200	14,300
	<b><u>\$ 166,131</u></b>	<b><u>\$ 510,546</u></b>	<b><u>\$ 469,777</u></b>	<b><u>\$ 206,900</u></b>

## Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis)

---

Years Ended June 30, 2008, 2007, 2006 and 2005

	2008	2007	2006	2005
<b>Revenue</b>				
Local Sources				
Local taxes.....	\$ 9,001,345	\$ 9,053,675	\$ 7,883,932	\$ 7,707,034
Tuition .....	1,835,631	1,855,694	1,816,342	2,019,484
Other .....	1,013,826	1,300,917	1,548,970	900,360
Intermediate source.....	—	—	479	445
State sources.....	12,158,734	11,336,321	11,161,043	10,393,096
Federal sources.....	<u>606,531</u>	<u>865,332</u>	<u>541,175</u>	<u>562,138</u>
<b>Total</b>	<b><u>\$ 24,616,067</u></b>	<b><u>\$ 24,411,939</u></b>	<b><u>\$ 22,951,941</u></b>	<b><u>\$ 21,582,557</u></b>
<b>Expenditures</b>				
Instruction				
Regular instruction .....	\$ 10,297,855	\$ 10,019,156	\$ 9,031,889	\$ 8,741,351
Special instruction.....	3,723,582	3,797,441	3,762,965	3,793,311
Other instruction.....	1,368,168	1,303,120	1,167,500	1,205,692
Support Services				
Student services .....	773,552	746,397	749,001	676,438
Instructional staff services.....	554,688	714,945	671,320	998,199
Administration services.....	2,305,447	2,314,547	2,152,091	1,638,021
Operation and maintenance of plant services .....	2,262,848	2,058,498	1,694,632	1,606,234
Transportation services.....	556,578	495,398	482,188	416,222
Noninstructional programs.....	—	—	—	10,260
Other Expenditures				
Facilities acquisition and construction .....	429,108	1,277,941	7,638,697	4,898,847
Long-Term Debt				
Principal.....	725,000	695,000	680,000	570,000
Interest and other charges .....	481,030	503,380	526,606	635,305
AEA flowthrough.....	<u>758,746</u>	<u>722,385</u>	<u>682,318</u>	<u>643,892</u>
<b>Total</b>	<b><u>\$ 24,236,602</u></b>	<b><u>\$ 24,648,208</u></b>	<b><u>\$ 29,239,207</u></b>	<b><u>\$ 25,833,772</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program .....	10.553	FY 2008	\$ 29,955
National School Lunch Program.....	10.555	FY 2008	288,870
Special Milk Program for Children .....	10.556	FY 2008	<u>325</u>
Total Cash Expenditures.....			<u>319,150</u>
Fresh Fruit and Vegetable Program.....	10.582	FY 2008	<u>29,432</u>
<b>Total U.S. Department of Agriculture.....</b>			<b><u>348,582</u></b>
<b>U.S. Environmental Agency</b>			
Pass-Through From Iowa Department of Education			
Solid Waste Management Assistance Grants.....	66.808	FY 2008	<u>900</u>
<b>U.S. Department of Education</b>			
Pass-Through From Iowa Department of Education			
Title I Grants to Local Education Agencies .....	84.010	FY 2008	<u>224,634</u>
Career and Technical Education - Basic Grants to States .....	84.048	FY 2008	<u>56,756</u>
Safe and Drug-Free Schools and Communities - State Grants .....	84.186	FY 2008	<u>8,257</u>
Funds for the Improvement of Education .....	84.215	FY 2008	<u>101,419</u>
State Grants for Innovative Programs.....	84.298	FY 2008	<u>2,945</u>
Education Technology State Grants .....	84.318	FY 2008	<u>2,000</u>
Grants for State Assessment and Related Activities	84.369	FY 2008	<u>15,477</u>
Pass-Through From Area Education Agency 267			
Special Education - Grants to States .....	84.027	FY 2008	<u>125,424</u>
<b>Total Pass-Through U.S. Department of Education .....</b>			<b><u>536,912</u></b>
<b>U.S. Department of Health and Human Services</b>			
Pass-Through From Iowa Department of Education			
Consolidated Knowledge Development and Application Program .....	93.230	FY 2008	<u>1,261</u>
<b>U.S. Corporation for National Community Service</b>			
Pass-Through From Iowa Department of Education			
Learn and Serve America School Community Based Programs.....	94.004	FY 2008	<u>9,976</u>
<b>Total.....</b>			<b><u>\$ 897,631</u></b>

## Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2008

### **Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Boone Community School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

### **Subrecipients**

The Boone Community School District provided no federal awards to subrecipients.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

---

Board of Education  
Boone Community School District  
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District as of and for the year ended June 30, 2008, and the discretely presented component unit as of and for the year ended December 31, 2007, which collectively comprise the Boone Community School District's basic financial statements, and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Boone Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Boone Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Boone Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Boone Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the Boone Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Boone Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Boone Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-II-IC-1, 08-II-IC-4 and 08-II-IC-6 are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Boone Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in Part II of the accompanying Schedule of Findings and Questioned Costs. We also noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

The Boone Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Boone Community School District's responses and, accordingly, we express no opinion on them.

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
February 18, 2009

## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance**

---

Board of Education  
Boone Community School District  
Boone, Iowa

### **Compliance**

We have audited the compliance of the Boone Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Boone Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Boone Community School District's management. Our responsibility is to express an opinion on the Boone Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Boone Community School District's compliance with those requirements.

In our opinion, the Boone Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-C-1.

### **Internal Control Over Compliance**

The management of the Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Boone Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 08-III-IC-1 and 08-III-IC-2 to be material weaknesses.

The Boone Community School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
February 18, 2009

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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

### Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

yes       no

Significant deficiencies identified not considered to be material weaknesses?

yes       none reported

Noncompliance material to financial statements noted?

yes       no

### Federal Awards

Internal control over major programs:

Material weakness identified?

yes       no

Significant deficiencies identified not considered to be material weakness?

yes       none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?

yes       no

Identification of major programs:

### **CFDA Numbers**

### **Name of Federal Program or Cluster**

10.553

Child Nutrition Cluster

10.555

Child Nutrition Cluster

10.556

Child Nutrition Cluster

84.010

Title I - Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes       no

# Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2008

## **Part II: Findings Related to the General-Purpose Financial Statements**

### **Instances of Noncompliance:**

There were no current year instances of noncompliance noted.

### **Significant Deficiencies**

Prior year significant deficiencies have not been resolved and have been repeated below as items 08-II-IC-1 through 08-II-IC-5.

#### **08-II-IC-1 Segregation of Duties**

**Finding** - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

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

**Auditor's Recommendation** - This is not an unusual condition, but it is important that management be aware that the condition exists.

**District's Response** - We will monitor this situation and continue to segregate incompatible duties as efficiently as possible.

**Auditor's Conclusion** - Response accepted.

#### **08-II-IC-2 Investments**

**Finding** - An investment register detailing the District's investment activity including purchase and redemption dates, interest rates and interest revenue is not maintained.

**Auditor's Recommendation** - The District should maintain an investment register.

**District's Response** - We will implement investment registers that are reconciled monthly beginning in 2008-09. The Accounting Clerk is reconciling the monthly bank statement.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2008

### 08-II-IC-3 Capital Assets

**Finding** - A physical inventory of all capital assets has not been performed recently and reconciled to the detailed capital asset records. In addition, capital asset records are not kept up to date. Additions and deletions are not recorded until after year end.

**Auditor's Recommendation** - A physical inventory of all capital assets should be completed and reconciled to the detailed capital asset records by employees having no responsibility for the assets. The capital asset records should be maintained currently as addition and deletions occur.

**District's Response**

1. Capital assets observation will be taken by the Business Manager and Superintendent annually.
2. A capital assets ledger will be maintained semi-annually documenting acquisitions and deletions.

**Auditor's Conclusion** - Response accepted.

### 08-II-IC-4 Internal Controls

**Finding** - The Business Manager makes journal entries as needed, to correct errors in data entry. No one reviews these entries. Additionally, in the current fiscal year ended June 30, 2008, we noted that an enterprise fund had not been included in the District's accounting records.

**Auditor's Recommendation** - A qualified person should review the journal entries made by the Business Manager. All District-related funds need to be properly processed through the District's internal control process. This will ensure that the District's internal control processes for revenue and expenditures are properly followed.

**District's Response** - The District will establish procedures to document a review of all journal entries and ensure all funds of the District are accounted for in its general ledger.

**Auditor's Conclusion** - Response accepted.

### 08-II-IC-5 Disbursements

**Finding** - We noted that disbursements for athletic officials were not supported by proper documentation. Additionally, we noted one disbursement during our testing that was not supported by an invoice or receipt.

**Auditor's Recommendation** - In the case of expenditures not likely to be supported by formal invoices, we suggest that preprinted "check request" forms be made available which will provide for date, payee, description of expenditure and approval signature. These would serve as the supporting documents accompanying checks to be signed. This will also provide greater control over disbursements. Procedures should ensure that all expenditures have appropriate support.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2008

**District's Response** - We will implement the use of a form to improve supporting documentation. We will also ensure that all expenditures have supporting documentation.

**Auditor's Conclusion** - Response accepted.

### 08-II-IC-6 Financial Statement Preparation

**Finding** - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many entities of this size, the entity has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures.

**Auditor's Recommendation** - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

**District's Response** - We will consider obtaining additional knowledge.

**Auditor's Conclusion** - Response accepted.

## **Part III: Findings and Questioned Costs For Federal Awards**

### **Instances of Noncompliance:**

#### **All Programs Displayed on the Schedule of Expenditures of Federal Awards**

##### **08-III-C-1 Internal Controls Over Federal Revenue and Expenditures**

**Finding** - During our audit, we found that the District does not have the proper internal controls in place to provide reasonable assurance that grant financial and accounting requirements are being met. See Finding 08-III-IC-2 for additional information and the District's response.

### **Significant Deficiencies**

Prior year significant deficiencies have not been resolved and have been repeated below as items 08-III-IC-1 and 08-III-IC-2.

#### **All Programs Displayed on the Schedule of Expenditures of Federal Awards**

##### **08-III-IC-1 Segregation of Duties**

Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 08-II-IC-1 for additional information.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2008

### 08-III-IC-2 Internal Controls Over Federal Revenue and Expenditures

**Finding** - The District does not have proper internal controls in place that would provide reasonable assurance that the grant requirements are properly met, or if there are errors, that those errors would be detected by the procedures required by the internal control system.

**Auditor's Recommendation** - The District should establish proper internal control procedures to ensure that grant requirements are properly met.

**District's Response** - The District is working on an accounting manual that will include new internal control procedures that should, when implemented, provide the proper level of controls.

**Auditor's Conclusion** - Response accepted.

### **Part IV: Other Findings Related to Statutory Reporting**

#### 08-IV-A Certified Budget

**Finding** - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amount in noninstructional programs.

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

**District's Response** - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

**Auditor's Conclusion** - Response accepted.

08-IV-B **Questionable Disbursements** - No disbursements were noted that may not meet the requirements as defined in an Attorney General's opinion dated April 25, 1979, except as noted in finding 08-II-IC-5.

08-IV-C **Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

08-IV-D **Business Transactions** - No business transactions between the District and District officials or employees were noted.

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

08-IV-F **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

## Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2008

**08-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Department of Education were noted.

**08-IV-H Deposits and Investments**

**Finding** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except the interest rate on two time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

**Auditor's Recommendation** - Public fund time certificates of deposit, when renewed, should be renewed at a rate of interest which conforms with current rates for public funds on date of renewal. The District should seek reimbursement of the additional interest due on these certificates of deposit. In addition, the District should be aware of the current allowable rates to insure at least the minimum allowable rate is received for all investments.

**District's Response** - The District will seek compensation for the interest due from rate being below minimum set by State Rate Setting Committee.

**Auditor's Conclusion** - Response accepted.

**08-IV-I Certified Annual Report**

**Finding** - The Certified Annual Report (CAR) was filed with the Department of Education timely, but we noted two significant deficiencies in the amounts reported.

**Auditor's Recommendation** - The Certified Annual Report should be reconciled with accounting records, reviewed by a member of management and filed timely.

**District's Response** - The 2008-09 report will be reconciled with accounting records and filed timely.

**Auditor's Conclusion** - Response accepted.

**08-IV-J Financial Condition**

**Finding** - Of the District's student activity accounts, 24 had deficit fund balances at June 30, 2008.

**Auditor's Recommendation** - We recommend that the District investigate alternatives to return these accounts to a positive financial condition.

**District's Response** - We are taking steps to rectify this.

**Auditor's Conclusion** - Response accepted.