

**BOONE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

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## Introductory Section

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# Board of Education and School District Officials

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At June 30, 2009

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
<b>(Before September, 2008 Election)</b>		
Dr. Jeffrey Anderson	President	2010
Kirk Leeds	Vice President	2009
Shiloh Burke	Board Member	2011
Everett Johnson	Board Member	2009
Brad O'Neal	Board Member	2011
<b>(After September, 2008 Election)</b>		
Dr. Jeffrey Anderson	President	2011*
Kirk Leeds	Vice President	2009
Shiloh Burke	Board Member	2011
Everett Johnson	Board Member	2009
Brad O'Neal	Board Member	2011
<b>School Officials</b>		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Indefinite

\* Board term extended per the District's transition plan for changing Board terms from three to four years in accordance with Chapter 39.24 of the Code of Iowa.

**Financial Section**



## **Independent Auditor's Report**

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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, 2009, and the discretely presented component unit at and for the year ended December 31, 2008, 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, 2009 and the discretely presented component unit at December 31, 2008, 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 December 23, 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, budgetary comparison information and Schedule of Funding Progress for the Retiree Health Plan on Page 4 through 14 and 40 and 41 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 three years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on the 2008 and 2007 financial statements and a qualified opinion on the 2006 financial statements. Other supplementary information included on Pages 42 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  
December 23, 2009

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

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- The General Fund ending undesignated, unreserved fund balance increased from \$659,058 at June 30, 2008 to \$2,050,542 at June 30, 2009, which represents a 9.4% solvency ratio.
- General Fund revenue increased 1% from \$21,729,485 in fiscal 2008 to \$22,045,887 in 2009, a revenue increase of \$316,402. The increase in General Fund revenues was attributable to increased property tax revenue and increased revenue from federal sources due to the American Recovery and Reinvestment Act (ARRA).
- In December 2008, Governor Chet Culver ordered a 1.5% across-the-board cut to state general fund appropriations.
- The District received \$182,147 in ARRA funds. These State Fiscal Stabilization Funds backfilled an additional equal cut to state aid at the end of fiscal year 2009.
- General Fund expenditures decreased 4% from \$21,477,723 in 2008 to \$20,518,902 for fiscal year 2009, a decrease of \$958,821. This decrease is primarily attributable to decreased salaries and benefits due to staff reduction in response to a four-year trend of declining enrollment. Expenditures were also reduced in an effort to strengthen the District's financial position.
- 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 \$283,130 in fiscal 2008 to \$140,737 in fiscal 2009, a 50% 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 and a Schedule of Funding Progress for the Retiree Health Plan.

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.

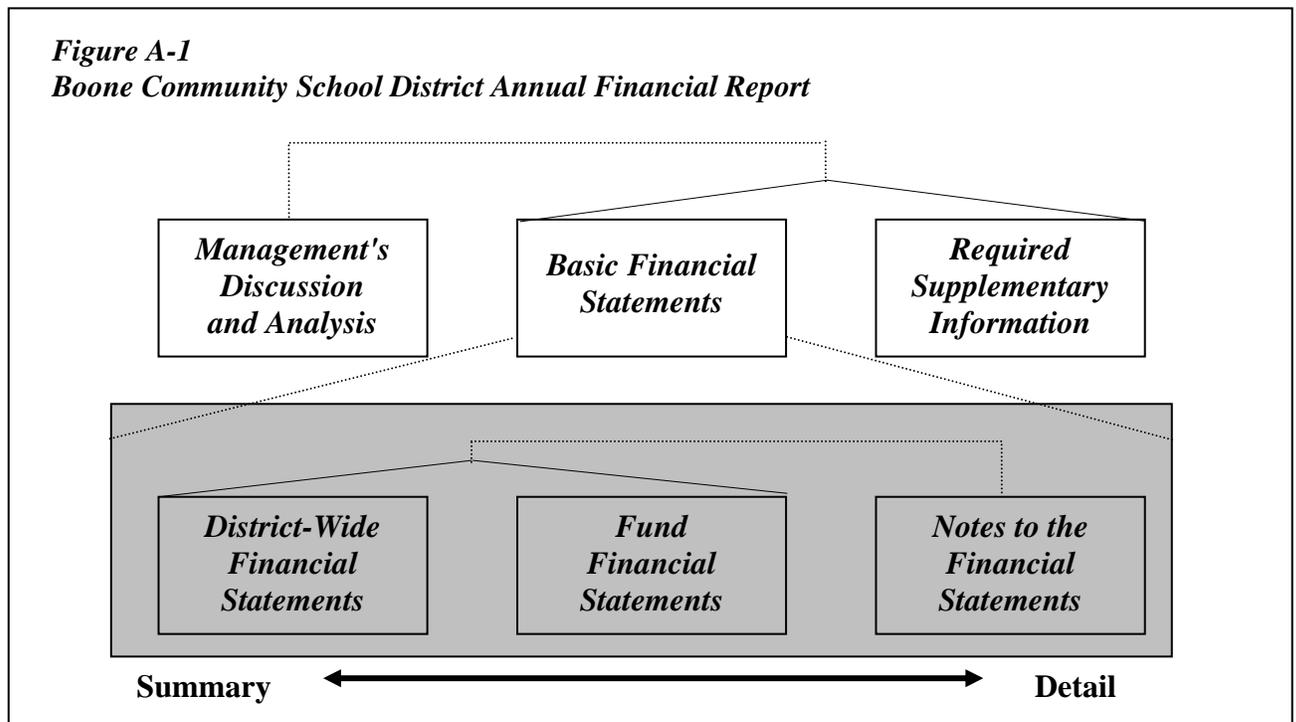


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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%
FY09	397,048,126	14,496,426	3.79%

#### BCSD Facilities by Age

	Built	Additions
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, 2009 compared to June 30, 2008.

**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>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2008-2009</b>
Current and Other Assets	17,619	18,047	129	127	17,748	18,174	(2.3)%
Capital Assets	18,905	18,865	204	198	19,109	19,063	0.2 %
<b>Total Assets</b>	<b>36,524</b>	<b>36,912</b>	<b>333</b>	<b>325</b>	<b>36,857</b>	<b>37,237</b>	<b>(1.0)%</b>
Long-Term Liabilities	10,077	10,590	-	-	10,077	10,590	(3.6)%
Other Liabilities	12,816	14,774	13	20	12,829	14,794	(13.3)%
<b>Total Liabilities</b>	<b>22,893</b>	<b>25,364</b>	<b>13</b>	<b>20</b>	<b>22,906</b>	<b>25,384</b>	<b>(9.8)%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	8,315	7,520	204	198	8,519	7,718	10.4 %
Restricted	2,526	2,640	-	33	2,526	2,673	(5.5)%
Unrestricted	2,790	1,388	116	74	2,906	1,462	98.8 %
<b>Total Net Assets</b>	<b>13,631</b>	<b>11,548</b>	<b>320</b>	<b>305</b>	<b>13,951</b>	<b>11,853</b>	<b>17.7 %</b>

The District’s combined net assets increased 17.7%, or approximately \$2,098,000, 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 decreased by approximately \$147,000, or 5.5%, over the prior period. The decrease was primarily a result of increased expenditures and transfers out and a decrease in revenue in the Physical Plant and Equipment Levy Fund.

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 \$1,444,000, or 98.8%, primarily due to a reduction of expenditures through staff reductions and other cutbacks in spending.

**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, 2009 as compared to fiscal 2008.

**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>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2008-2009</b>
<b>Revenue</b>							
<b>Program Revenue</b>							
Charge for service	2,208	2,247	529	597	2,737	2,844	(3.8)%
Operating grants, contributions and restricted interest	3,342	2,829	391	359	3,733	3,188	17.1 %
<b>General Revenue</b>							
Property tax	7,228	6,908	-	-	7,228	6,908	4.6 %
Local option sales and service tax	1,282	1,314	-	-	1,282	1,314	(2.4)%
Income surtax	897	810	-	-	897	810	10.7 %
Unrestricted state grants	9,571	10,062	-	-	9,571	10,062	(4.9)%
Unrestricted investment earnings	164	363	1	2	165	365	(54.8)%
Other	180	180	-	-	180	180	0.0 %
Insurance reimbursement for assets	130	-	-	-	130	-	100.0 %
<b>Total Revenue</b>	<b>25,002</b>	<b>24,713</b>	<b>921</b>	<b>958</b>	<b>25,923</b>	<b>25,671</b>	<b>1.0 %</b>
<b>Program Expenses</b>							
Instruction	15,601	16,069	-	-	15,601	16,069	(2.9)%
Support services	6,084	6,395	-	-	6,084	6,395	(4.9)%
Non-instructional programs	-	-	906	938	906	938	(3.4)%
Other expenses	1,234	1,240	-	-	1,234	1,240	(0.5)%
<b>Total Expenses</b>	<b>22,919</b>	<b>23,704</b>	<b>906</b>	<b>938</b>	<b>23,825</b>	<b>24,642</b>	<b>(3.3)%</b>
<b>Change in Net Assets</b>	<b>2,083</b>	<b>1,009</b>	<b>15</b>	<b>20</b>	<b>2,098</b>	<b>1,029</b>	<b>103.9 %</b>

Property tax and unrestricted state grants accounted for 67.2% of the District’s total revenue from governmental activities while charges for service and operating grants and contributions account for 99.9% of the revenue from business-type activities.

The District’s total revenues were approximately \$25.9 million, of which \$25 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% increase in revenues and a 3.3% decrease in expenses, primarily due to an increase in state categorical aid funding and a reduction of staff in response to declining enrollment.

## Governmental Activities

Revenues for governmental activities were \$25,001,954 and expenses were \$22,919,133 for the year ended June 30, 2009.

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, 2009 and 2008.

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

	2009	2008	2009	2008
	<b>Total Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 15,601	\$ 16,069	\$ 10,885	\$ 11,890
Support Services	6,084	6,395	6,024	6,256
Other Expenses	1,234	1,240	460	482
<b>Total</b>	<b>\$ 22,919</b>	<b>\$ 23,704</b>	<b>\$ 17,369</b>	<b>\$ 18,628</b>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$2,208,231.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,342,253.
- The net cost of governmental activities was financed with \$9,406,139 in property and other taxes and \$9,571,144 in unrestricted state grants.

## Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2009 were \$920,439, representing a 3.9% decrease over the prior year, while expenses totaled \$905,941, a 3.4% decrease 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 \$4,647,201, above last year's ending fund balances of \$3,373,046. The primary reason is an increase in the General Fund balance which was the result of cutting expenditures through staff reductions.

## Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$1,517,146 at the end of fiscal 2009 to \$2,200,552. This increase was due in part to a reduction of expenditures in response to several years of declining enrollment. Another important factor was the additional Drop-Out Prevention Modified Allowable Growth funding that was approved.
- The Capital Projects Fund balance decreased from \$1,790,831 at the end of fiscal 2008 to \$1,687,441 at the end of fiscal 2009. The District collects statewide sales and service tax revenue and is required to account for this revenue in a separate fund. The District's share of revenue from the SILO sales tax from Boone County was \$1,281,487 for fiscal 2009.

## Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$294,160 to \$304,578 at June 30, 2009.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not amend its annual budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$19.1 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 an insignificant increase 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 \$645,306.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2009	2008	2009	2008	2009	2008	2008-2009
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	402	-	-	-	402	-	100.0 %
Buildings	17,508	17,797	-	-	17,508	17,797	(1.6)%
Furniture & Equipment	676	749	204	198	880	947	(7.1)%
<b>Total</b>	<b>18,905</b>	<b>18,865</b>	<b>204</b>	<b>198</b>	<b>19,109</b>	<b>19,063</b>	<b>0.2 %</b>

## LONG-TERM DEBT

On June 30, 2009, the District had a total of \$10,707,379 in general obligation bonds and other long-term obligations outstanding. This represents a decrease of 6.7% from the prior year total of \$11,475,310. (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 fell from \$130,310 at June 30, 2008 to \$117,379 at June 30, 2009. Early retirement incentives are paid to employees in the month of January following retirement except for half of the fiscal year 2008 incentive was paid in January 2009 and the final half will be paid 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>2009</b>	<b>2008</b>	<b>2008-2009</b>
General Obligation Bonds	10,590	11,115	(4.7)%
General Obligation capital loan notes	-	230	(100.0)%
Early Retirement	117	130	(10.0)%
<b>Total</b>	10,707	11,475	(6.7)%

## 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 2009 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 2008 budget enrollment declined 43.3 students, or 1.9%. The enrollment decline in October 2009 was 58.7 students, or 2.7% of the total enrolled in the previous year, which will again place the District on the Budget Guarantee for fiscal year 2011. The enrollment figures reported in October 2009 will be the basis for the District's state funding for fiscal year 2011, resulting in only \$126,000 of revenue growth or "new money." Fiscal year 2011 allowable growth is currently set at only 2%.
- In December 2009 the Governor announced a 10% across-the-board cut to state funding. This will result in the District receiving approximately \$1,022,000 less in state aid than budgeted for fiscal year 2010 and require cash reserves to be utilized.
- 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 80% 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 Board of Education offered the early retirement plan during fiscal year 2009. The Board of Education will review annually to determine if it is in the best interest of the District to implement.
- The state of Iowa's economy continues to be a factor with the decline in state fiscal conditions projected to continue into fiscal year 2012 with K-12 education currently comprising approximately 42% of the state's General Fund appropriations.

### **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**

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# Statement of Net Assets

At June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
<b>Assets</b>				
Cash and Cash Equivalents				
ISCAP .....	\$ 1,747,234	\$ —	\$ 1,747,234	\$ —
Other .....	6,209,479	101,198	6,310,677	355,182
Receivables				
Property Taxes, Net of Allowance				
Current year delinquent .....	108,044	—	108,044	—
Succeeding year .....	7,479,225	—	7,479,225	—
Accrued interest .....	13,775	—	13,775	—
Other .....	16,261	—	16,261	—
Due from other governments .....	2,027,842	—	2,027,842	—
Inventories and prepaid expenses .....	16,536	27,882	44,418	—
Capital assets, net of accumulated depreciation .....	<u>18,905,024</u>	<u>203,735</u>	<u>19,108,759</u>	<u>—</u>
<b>Total Assets .....</b>	<b><u>\$ 36,523,420</u></b>	<b><u>\$ 332,815</u></b>	<b><u>\$ 36,856,235</u></b>	<b><u>\$ 355,182</u></b>
<b>Liabilities</b>				
Accounts payable .....	\$ 808,481	\$ 1,183	\$ 809,664	\$ —
Deposits payable .....	89,300	—	89,300	—
Salaries and benefits payable .....	1,916,635	12,297	1,928,932	—
Accrued interest payable .....	70,835	—	70,835	—
Deferred Revenue				
Other .....	35,080	—	35,080	—
Succeeding year property taxes .....	7,479,225	—	7,479,225	—
ISCAP warrants payable .....	1,720,000	—	1,720,000	—
ISCAP accrued interest payable .....	33,885	—	33,885	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds payable .....	545,000	—	545,000	—
Early retirement .....	117,379	—	117,379	—
Portion Due After One Year				
General obligation bonds payable .....	10,045,000	—	10,045,000	—
Net OPEB liability .....	<u>32,000</u>	<u>—</u>	<u>32,000</u>	<u>—</u>
<b>Total Liabilities .....</b>	<b><u>22,892,820</u></b>	<b><u>13,480</u></b>	<b><u>22,906,300</u></b>	<b><u>—</u></b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt .....	8,315,024	203,735	8,518,759	—
Restricted For				
Debt service .....	141,981	—	141,981	—
Management levy .....	104,488	—	104,488	—
Property, plant and equipment levy .....	225,206	—	225,206	—
Student activities .....	216,698	—	216,698	—
Capital projects .....	1,687,441	—	1,687,441	—
Other special purpose .....	150,010	—	150,010	—
Unrestricted .....	<u>2,789,752</u>	<u>115,600</u>	<u>2,905,352</u>	<u>355,182</u>
<b>Total Net Assets .....</b>	<b><u>13,630,600</u></b>	<b><u>319,335</u></b>	<b><u>13,949,935</u></b>	<b><u>355,182</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 36,523,420</u></b>	<b><u>\$ 332,815</u></b>	<b><u>\$ 36,856,235</u></b>	<b><u>\$ 355,182</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2009

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 .....	\$ 10,518,787	\$ 1,598,095	\$ 2,011,422	\$ (6,909,270)	\$ —	\$ (6,909,270)	\$ —
Special instruction .....	3,942,916	380,693	419,155	(3,143,068)	—	(3,143,068)	—
Other instruction .....	1,138,887	193,079	112,941	(832,867)	—	(832,867)	—
Total Instruction .....	<u>15,600,590</u>	<u>2,171,867</u>	<u>2,543,518</u>	<u>(10,885,205)</u>	<u>—</u>	<u>(10,885,205)</u>	<u>—</u>
Support Services							
Student services .....	677,460	—	—	(677,460)	—	(677,460)	—
Instructional staff services .....	455,538	—	—	(455,538)	—	(455,538)	—
Administration services .....	2,330,704	—	—	(2,330,704)	—	(2,330,704)	—
Operation and maintenance of plant services .....	2,068,095	27,302	17,841	(2,022,952)	—	(2,022,952)	—
Transportation services .....	552,314	9,062	5,948	(537,304)	—	(537,304)	—
Total Support Services .....	<u>6,084,111</u>	<u>36,364</u>	<u>23,789</u>	<u>(6,023,958)</u>	<u>—</u>	<u>(6,023,958)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest .....	453,710	—	—	(453,710)	—	(453,710)	—
AEA flow through .....	774,946	—	774,946	—	—	—	—
Depreciation - unallocated .....	5,776	—	—	(5,776)	—	(5,776)	—
Total Other Expenditures .....	<u>1,234,432</u>	<u>—</u>	<u>774,946</u>	<u>(459,486)</u>	<u>—</u>	<u>(459,486)</u>	<u>—</u>
<b>Total Governmental Activities .....</b>	<b><u>22,919,133</u></b>	<b><u>2,208,231</u></b>	<b><u>3,342,253</u></b>	<b><u>(17,368,649)</u></b>	<b><u>—</u></b>	<b><u>(17,368,649)</u></b>	<b><u>—</u></b>
<b>Business-Type Activities</b>							
Noninstructional Programs							
Nutrition services .....	876,678	495,695	390,716	—	9,733	9,733	—
Student enterprise .....	29,263	33,335	—	—	4,072	4,072	—
<b>Total Business-Type Activities .....</b>	<b><u>905,941</u></b>	<b><u>529,030</u></b>	<b><u>390,716</u></b>	<b><u>—</u></b>	<b><u>13,805</u></b>	<b><u>13,805</u></b>	<b><u>—</u></b>
<b>Total .....</b>	<b><u>\$ 23,825,074</u></b>	<b><u>\$ 2,737,261</u></b>	<b><u>\$ 3,732,969</u></b>	<b><u>(17,368,649)</u></b>	<b><u>13,805</u></b>	<b><u>(17,354,844)</u></b>	<b><u>—</u></b>
<b>Component Unit</b>							
School Foundation .....	<u>\$ 7,316</u>	<u>\$ —</u>	<u>\$ 39,929</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,613</u>
<b>General Revenue</b>							
Property Taxes Levied For							
General purposes .....				5,968,286	—	5,968,286	—
Management .....				501,252	—	501,252	—
PPEL .....				700,114	—	700,114	—
Debt service .....				58,519	—	58,519	—
Local option sales tax .....				1,281,487	—	1,281,487	—
Income surtax .....				896,481	—	896,481	—
Unrestricted State Grants							
General .....				9,571,144	—	9,571,144	—
Interest and investment earnings .....				163,880	693	164,573	16,334
Miscellaneous .....				179,830	—	179,830	—
Insurance reimbursement for assets .....				130,477	—	130,477	—
<b>Total General Revenue .....</b>				<b><u>19,451,470</u></b>	<b><u>693</u></b>	<b><u>19,452,163</u></b>	<b><u>16,334</u></b>
<b>Change in Net Assets .....</b>				<b><u>2,082,821</u></b>	<b><u>14,498</u></b>	<b><u>2,097,319</u></b>	<b><u>48,947</u></b>
Net Assets - Beginning of Year .....				<u>11,547,779</u>	<u>304,837</u>	<u>11,852,616</u>	<u>306,235</u>
<b>Net Assets - End of Year .....</b>				<b><u>\$ 13,630,600</u></b>	<b><u>\$ 319,335</u></b>	<b><u>\$ 13,949,935</u></b>	<b><u>\$ 355,182</u></b>

See accompanying notes to the financial statements.

## Balance Sheet - Governmental Funds

At June 30, 2009

	General	Capital Projects	All Other Nonmajor	Total
<b>Assets</b>				
Cash and Pooled Investments				
ISCAP .....	\$ 1,747,234	\$ —	\$ —	\$ 1,747,234
Other .....	3,797,107	1,584,471	815,697	6,197,275
Receivables				
Property Taxes, Net				
Current year delinquent.....	89,106	—	18,938	108,044
Succeeding year .....	6,185,017	—	1,294,208	7,479,225
Other .....	16,261	—	—	16,261
ISCAP accrued interest.....	13,775	—	—	13,775
Due from other funds .....	—	22,564	—	22,564
Due from other governments .....	1,737,479	264,150	26,213	2,027,842
Prepaid expenses.....	<u>16,536</u>	<u>—</u>	<u>—</u>	<u>16,536</u>
<b>Total Assets .....</b>	<b><u>\$ 13,602,515</u></b>	<b><u>\$ 1,871,185</u></b>	<b><u>\$ 2,155,056</u></b>	<b><u>\$ 17,628,756</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 655,742	\$ 94,444	\$ 54,390	\$ 804,576
Deposits payable .....	—	89,300	—	89,300
Salaries and benefits payable .....	1,916,635	—	—	1,916,635
Due to other funds .....	—	—	22,564	22,564
ISCAP warrants payable .....	1,720,000	—	—	1,720,000
ISCAP accrued interest payable.....	33,885	—	—	33,885
Deferred Revenue				
Succeeding year property taxes ...	6,185,017	—	1,294,208	7,479,225
Other .....	<u>890,684</u>	<u>—</u>	<u>24,686</u>	<u>915,370</u>
<b>Total Liabilities .....</b>	<b><u>11,401,963</u></b>	<b><u>183,744</u></b>	<b><u>1,395,848</u></b>	<b><u>12,981,555</u></b>
<b>Fund Balances</b>				
Reserved For				
Capital projects .....	—	1,687,441	—	1,687,441
Debt service .....	—	—	212,816	212,816
Market factor .....	16,577	—	—	16,577
Limited English proficient.....	5,040	—	—	5,040
Home School assistance .....	45,739	—	—	45,739
Drop out prevention .....	4,318	—	—	4,318
Mentoring/induction.....	415	—	—	415
Educator quality care .....	40,193	—	—	40,193
Educator quality professional development.....	21,192	—	—	21,192
Prepaid expenses .....	16,536	—	—	16,536
Unreserved .....	<u>2,050,542</u>	<u>—</u>	<u>546,392</u>	<u>2,596,934</u>
<b>Total Fund Balances .....</b>	<b><u>2,200,552</u></b>	<b><u>1,687,441</u></b>	<b><u>759,208</u></b>	<b><u>4,647,201</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 13,602,515</u></b>	<b><u>\$ 1,871,185</u></b>	<b><u>\$ 2,155,056</u></b>	<b><u>\$ 17,628,756</u></b>

See accompanying notes to the financial statements.

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

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At June 30, 2009

<b>Total Fund Balances for Governmental Funds (Page 17).....</b>		<b>\$ 4,647,201</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds .....		18,905,024
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.....		1,583
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds .....		887,006
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.....		(70,835)
Long-term liabilities, including general obligation bonds, early retirement benefits and other postemployment 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.....	\$ (10,590,000)	
Other postemployment benefits .....	(32,000)	
Early retirement benefits .....	<u>(117,379)</u>	<u>(10,739,379)</u>
<b>Net Assets of Governmental Activities (Page 15) .....</b>		<b><u>\$ 13,630,600</u></b>

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

Year Ended June 30, 2009

	General	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
<b>Revenue</b>				
Local Sources				
Local taxes.....	\$ 6,821,670	\$ 1,281,487	\$ 1,259,824	\$ 9,362,981
Tuition .....	1,874,517	—	—	1,874,517
Other .....	398,724	6,807	359,756	765,287
Intermediate sources .....	7,854	—	—	7,854
State sources.....	11,915,314	—	—	11,915,314
Federal sources.....	897,331	—	17,841	915,172
<b>Total Revenue.....</b>	<b><u>21,915,410</u></b>	<b><u>1,288,294</u></b>	<b><u>1,637,421</u></b>	<b><u>24,841,125</u></b>
<b>Expenditures</b>				
Current				
Instruction				
Regular instruction .....	9,582,109	—	297,930	9,880,039
Special instruction.....	3,936,127	—	—	3,936,127
Other instruction.....	868,631	—	285,414	1,154,045
<b>Total Instruction.....</b>	<b><u>14,386,867</u></b>	<b><u>—</u></b>	<b><u>583,344</u></b>	<b><u>14,970,211</u></b>
Support Services				
Student services.....	675,314	—	836	676,150
Instructional staff services.....	437,052	—	16,815	453,867
Administration services .....	2,054,754	30,955	250,573	2,336,282
Operation and maintenance of plant services .....	1,750,436	—	305,687	2,056,123
Transportation services.....	439,533	—	41,998	481,531
<b>Total Support Services.....</b>	<b><u>5,357,089</u></b>	<b><u>30,955</u></b>	<b><u>615,909</u></b>	<b><u>6,003,953</u></b>
Other Expenditures				
Facilities acquisition and construction.....	—	408,608	326,769	735,377
Long-Term Debt				
Principal .....	—	—	755,000	755,000
Interest and fiscal charges .....	—	—	457,960	457,960
AEA flowthrough .....	774,946	—	—	774,946
<b>Total Other Expenditures .....</b>	<b><u>774,946</u></b>	<b><u>408,608</u></b>	<b><u>1,539,729</u></b>	<b><u>2,723,283</u></b>
<b>Total Expenditures .....</b>	<b><u>20,518,902</u></b>	<b><u>439,563</u></b>	<b><u>2,738,982</u></b>	<b><u>23,697,447</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>1,396,508</u></b>	<b><u>848,731</u></b>	<b><u>(1,101,561)</u></b>	<b><u>1,143,678</u></b>
<b>Other Financing Sources (Uses)</b>				
Insurance reimbursement for assets	130,477	—	—	130,477
Operating transfers in.....	—	22,564	1,222,199	1,244,763
Operating transfers out.....	(9,839)	(974,685)	(260,239)	(1,244,763)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>120,638</u></b>	<b><u>(952,121)</u></b>	<b><u>961,960</u></b>	<b><u>130,477</u></b>
<b>Net Change in Fund Balances.....</b>	<b><u>1,517,146</u></b>	<b><u>(103,390)</u></b>	<b><u>(139,601)</u></b>	<b><u>1,274,155</u></b>
Fund Balance - Beginning of Year....	683,406	1,790,831	898,809	3,373,046
<b>Fund Balance - End of Year.....</b>	<b><u>\$ 2,200,552</u></b>	<b><u>\$ 1,687,441</u></b>	<b><u>\$ 759,208</u></b>	<b><u>\$ 4,647,201</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, 2009

**Change in Fund Balances - Total Governmental Funds (Page 19) \$ 1,274,155**

***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.....	\$ 661,513	
Depreciation expense .....	<u>(621,884)</u>	39,629

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.....		755,000
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Certain revenue not collected for several months after year end is not considered available revenue and is deferred in governmental funds

Prior period.....	\$ (856,654)	
Current period .....	<u>887,006</u>	30,352

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 .....		4,250
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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.....		(1,496)
--	--	---------

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 .....	\$ 12,931	
Other postemployment benefits .....	<u>(32,000)</u>	<u>(19,069)</u>

**Change in Net Assets of Governmental Activities (Page 16) \$ 2,082,821**

## Statement of Net Assets - Proprietary Funds

At June 30, 2009

	Total Nonmajor Enterprise Funds	Internal <u>Service Fund</u> Self-Insurance Fund
<b>Assets</b>		
Cash and cash equivalents .....	\$ 101,198	\$ 12,204
Inventories and prepaid items .....	27,882	—
Capital assets, net of accumulated depreciation .....	<u>203,735</u>	<u>—</u>
<b>Total Assets</b> .....	<b><u>\$ 332,815</u></b>	<b><u>\$ 12,204</u></b>
<b>Liabilities</b>		
Accounts payable .....	\$ 1,183	\$ 3,905
Salaries and benefits payable .....	12,297	—
Deferred revenue.....	<u>—</u>	<u>6,716</u>
<b>Total Liabilities</b> .....	<b><u>13,480</u></b>	<b><u>10,621</u></b>
<b>Net Assets</b>		
Invested in capital assets .....	203,735	—
Unrestricted .....	<u>115,600</u>	<u>1,583</u>
<b>Total Net Assets</b> .....	<b><u>319,335</u></b>	<b><u>1,583</u></b>
<b>Total Liabilities and Net Assets</b> .....	<b><u>\$ 332,815</u></b>	<b><u>\$ 12,204</u></b>

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

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Year Ended June 30, 2009

	<b>Total Nonmajor Enterprise Funds</b>	<b>Internal Service Fund Self-Insurance Fund</b>
<b>Operating Revenue</b>		
Charges for service .....	\$ 529,030	\$ —
Self-insurance contributions .....	<u>—</u>	<u>73,152</u>
<b>Total Operating Revenue</b> .....	<b><u>529,030</u></b>	<b><u>73,152</u></b>
<b>Operating Expenses</b>		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	339,590	—
Purchased services.....	15,445	—
Supplies .....	527,484	—
Depreciation .....	23,422	—
Self-insurance claims and fees.....	<u>—</u>	<u>74,654</u>
<b>Total Operating Expenses</b> .....	<b><u>905,941</u></b>	<b><u>74,654</u></b>
<b>Loss From Operations</b> .....	<b><u>(376,911)</u></b>	<b><u>(1,502)</u></b>
<b>Nonoperating Revenue</b>		
State sources.....	8,917	—
Federal sources.....	381,799	—
Interest on investments .....	<u>693</u>	<u>6</u>
<b>Total Nonoperating Revenue</b> .....	<b><u>391,409</u></b>	<b><u>6</u></b>
<b>Change in Net Assets</b> .....	<b>14,498</b>	<b>(1,496)</b>
Net Assets - Beginning of Year .....	<u>304,837</u>	<u>3,079</u>
<b>Net Assets - End of Year</b> .....	<b><u>\$ 319,335</u></b>	<b><u>\$ 1,583</u></b>

## Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2009

	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.....	\$ 508,712	\$ —
Cash received from student activities.....	33,335	—
Cash received from assessments made to other funds .....	—	73,308
Cash payments to employees for services.....	(339,481)	—
Cash payments to suppliers for goods and services.....	(502,518)	—
Cash payments for insurance claims.....	—	(73,574)
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(299,952)</u></b>	<b><u>(266)</u></b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>		
State grants received.....	8,917	—
Federal grants received.....	347,879	—
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>356,796</u></b>	<b><u>—</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets .....	(29,047)	—
Repayment of debt .....	(8,000)	—
<b>Net Cash Used in Capital and Related Financing Activities...</b>	<b><u>(37,047)</u></b>	<b><u>—</u></b>
<b>Cash Flows From Investment Activities</b>		
Interest on investments .....	693	6
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>20,490</b>	<b>(260)</b>
Cash and Cash Equivalents at Beginning of Year.....	80,708	12,464
<b>Cash and Cash Equivalents at End of Year .....</b>	<b><u>\$ 101,198</u></b>	<b><u>\$ 12,204</u></b>
<b>Reconciliation of Loss From Operations to Net Cash Used in Operating Activities</b>		
Loss from operations .....	\$ (376,911)	\$ (1,502)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used .....	32,634	—
Depreciation .....	23,422	—
Changes in Assets and Liabilities		
Decrease in inventories.....	6,594	—
Decrease in accounts receivable .....	12,836	—
Decrease in due from other funds .....	181	—
Increase in salaries and benefits payable .....	109	—
Increase in accounts payable.....	1,183	1,080
Increase in deferred revenue .....	—	156
<b>Net Cash Used in Operating Activities .....</b>	<b><u>\$ (299,952)</u></b>	<b><u>\$ (266)</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2009, the District received \$33,920 of federal commodities.

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

At June 30, 2009

	<b>Private Purpose Trusts</b>
<b>Assets</b>	
Cash, Cash Equivalents and Pooled Investments .....	<u>\$ 158,197</u>
<b>Liabilities</b>	
Accounts payable .....	\$ 400
<b>Net Assets</b>	
Reserved for scholarships .....	<u>157,797</u>
<b>Total Liabilities and Net Assets</b> .....	<u><b>\$ 158,197</b></u>

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

Year Ended June 30, 2009

	<b>Private Purpose Trusts</b>
<b>Additions</b>	
Local Sources	
Gifts and contributions .....	\$ 8,679
Interest income .....	<u>2,101</u>
Total Additions .....	10,780
<b>Deductions</b>	
Support Services	
Scholarships awarded.....	<u>14,587</u>
<b>Change in Net Assets</b> .....	<b>(3,807)</b>
Net Assets - Beginning of Year .....	<u>161,604</u>
<b>Net Assets - End of Year</b> .....	<b><u>\$ 157,797</u></b>

## Notes to the Financial Statements

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### **(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, 2008.

#### **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

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## (1) Summary of Significant Accounting Policies

The District's proprietary funds are the 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

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## **(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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

# Notes to the Financial Statements

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## (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, 2009, total inventories included government commodities valued at \$8,846 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
Furniture and Equipment	
School nutrition equipment.....	12 Years
Other furniture and 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.

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

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.

### ***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, 2009, expenditures did not exceed the amounts budgeted.

## **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.

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

The District's deposits in banks at June 30, 2009 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

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$4,237,608. 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 \$36,225 in certificates of deposits with maturities ranging from August, 2009 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, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	Special Revenue Student Account	<u>\$ 22,564</u>

### (4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
Special Revenue Student Account	General	\$ 9,839
Debt Service	Capital Projects	974,685
	Special Revenue	
	PPEL	237,675
Capital Projects	Special Revenue Student Account	<u>22,564</u>
<b>Total</b>		<b><u>\$ 1,244,763</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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2009-10A	6-25-09	6-23-10	<u>\$ 1,747,234</u>	<u>\$ 13,775</u>	<u>\$ 1,720,000</u>	<u>\$ 589</u>	<u>\$ 33,295</u>

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, 2009 is as follows:

Series	Balance - Beginning of Year	Advances Received	Advances Repaid	Balance - End of Year
2008-09A	<u>\$ —</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</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
2008-09A	3.5%	3.469%
2009-10A	2.5	0.902

## Notes to the Financial Statements

### (6) Capital Assets

Capital assets activity for the year ended June 30, 2009 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>—</u>	<u>401,523</u>	<u>—</u>	<u>401,523</u>
Total Capital Assets Not Being Depreciated.....	<u>319,432</u>	<u>401,523</u>	<u>—</u>	<u>720,955</u>
Capital Assets Being Depreciated				
Buildings and improvements.....	27,846,753	202,680	—	28,049,433
Furniture and equipment.....	<u>1,583,798</u>	<u>57,310</u>	<u>—</u>	<u>1,641,108</u>
Total Capital Assets Being Depreciated.....	<u>29,430,551</u>	<u>259,990</u>	<u>—</u>	<u>29,690,541</u>
Less Accumulated Depreciation For				
Buildings and improvements.....	10,049,887	491,833	—	10,541,720
Furniture and equipment.....	<u>834,701</u>	<u>130,051</u>	<u>—</u>	<u>964,752</u>
Total Accumulated Depreciation ..	<u>10,884,588</u>	<u>621,884</u>	<u>—</u>	<u>11,506,472</u>
Net Total Capital Assets Being Depreciated.....	<u>18,545,963</u>	<u>(361,894)</u>	<u>—</u>	<u>18,184,069</u>
<b>Net Governmental Activities</b>				
<b>Capital Assets</b> .....	<u><b>\$ 18,865,395</b></u>	<u><b>\$ 39,629</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 18,905,024</b></u>
<b>Business-Type Activities</b>				
Furniture and equipment .....	\$ 309,308	\$ 29,047	\$ —	\$ 338,355
Less accumulated depreciation .....	<u>111,198</u>	<u>23,422</u>	<u>—</u>	<u>134,620</u>
<b>Net Business-Type Activities</b>				
<b>Capital Assets</b> .....	<u><b>\$ 198,110</b></u>	<u><b>\$ 5,625</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 203,735</b></u>

Depreciation expense was charged as follows:

<b>Governmental Activities</b>		
Instruction		
Regular.....		\$ 526,209
Other .....		2,671
Support Services		
Instructional staff services.....		1,038
Administrative services .....		5,891
Operation and maintenance of plant services.....		10,214
Transportation.....		<u>70,085</u>
Subtotal .....		616,108
Unallocated .....		<u>5,776</u>
<b>Total Governmental Activities Depreciation Expense</b> .....		<u><b>\$ 621,884</b></u>
<b>Business-Type Activities</b>		
Food Service .....		<u><b>\$ 23,422</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, 2009 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds.	\$ 11,115,000	\$ —	\$ 525,000	\$ 10,590,000	\$ 545,000
General obligation capital loan notes .....	230,000	—	230,000	—	—
Early retirement .....	130,310	52,224	65,155	117,379	117,379
<b>Total .....</b>	<b><u>\$ 11,475,310</u></b>	<b><u>\$ 52,224</u></b>	<b><u>\$ 820,155</u></b>	<b><u>\$ 10,707,379</u></b>	<b><u>\$ 662,379</u></b>

### General Obligation Bonds

Details of the District's June 30, 2009 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	Interest Rates	Principal	Interest	Principal	Interest
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	155,466	600,000	371,586
2014	4.00 - 4.50	—	216,120	3.60	620,000	134,466	620,000	350,586
2015-19	4.00 - 4.50	2,295,000	945,310	3.70 - 4.20	1,150,000	436,730	3,445,000	1,382,040
2020-24	4.00 - 4.50	<u>2,705,000</u>	<u>309,430</u>	4.25 - 4.50	<u>1,525,000</u>	<u>274,942</u>	<u>4,230,000</u>	<u>584,372</u>
<b>Total</b>		<b><u>\$ 5,000,000</u></b>	<b><u>\$ 2,335,340</u></b>		<b><u>\$ 5,590,000</u></b>	<b><u>\$ 1,588,050</u></b>	<b><u>\$ 10,590,000</u></b>	<b><u>\$ 3,923,390</u></b>

### (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 home school. 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, 2009.

Year Ending June 30,	
2010.....	\$ 30,692
2011.....	11,132
2012.....	4,612
2013.....	4,037
<b>Total .....</b>	<b><u>\$ 50,473</u></b>

Total rental expenditures for the year ended June 30, 2009 for all operating leases, except those with terms of a month or less that were not renewed, was \$35,492.

## Notes to the Financial Statements

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### **(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 4.1% of their annual salary and the District is required to contribute 6.35% of annual payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$846,909, \$835,507 and \$750,093, 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.

### **(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 \$774,946 for the year ended June 30, 2009, 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 in the year of retirement no later than the start of the following year school calendar. 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. Early retirement expenditures for the year ended June 30, 2009 totaled \$65,155.

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

The District has entered into contracts totaling approximately \$6,950,000 for various school renovation projects. At June 30, 2009, the remaining commitment on this contract was \$6,560,476.

## Notes to the Financial Statements

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### (14) Financial Condition

Of the District's student activity accounts, two had a deficit fund balance at June 30, 2009.

### (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, 2009 was approximately \$2,010,000.

### (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.

The following is a summary of the claims activity for the year ended June 30, 2009:

Estimated claims incurred but not reported - June 30, 2008 .....	\$ 2,825
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2009 .....	74,232
Claims paid during the year ended June 30, 2009 .....	(73,152)
<b>Estimated Claims Incurred But Not Reported - June 30, 2009 .....</b>	<b><u>\$ 3,905</u></b>

### (17) Other Postemployment Benefits (OPEB)

The Boone Community School District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009.

#### Plan Description

The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 217 active and 15 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield Alliance Select. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

## Notes to the Financial Statements

### (17) Other Postemployment Benefits (OPEB)

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution.....	\$ 147,000
Interest on net OPEB obligation .....	—
Adjustment to annual required contribution .....	—
Annual OPEB Cost (Expense) .....	147,000
Contributions made .....	<u>(115,000)</u>
Increase in Net OPEB Obligation.....	32,000
Net OPEB Obligation - Beginning of Year .....	—
Net OPEB Obligation - End of Year.....	<u><b>\$ 32,000</b></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2009.

For the fiscal year 2009, the District contributed \$115,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$147,000	78.2%	\$32,000

#### Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for the period of July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.556 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.556 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.073 million, and the ratio of the UAAL to the covered payroll was 14.1%. As of June 30, 2009, there were no trust fund assets.

### **(17) Other Postemployment Benefits (OPEB)**

#### **Actuarial Methods and Assumptions**

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

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$611 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **(18) Subsequent Events**

On July 14, 2009, the Board of Directors approved the issuance of Tax Revenue Bonds, Series 2009, totaling \$8,930,000 for additions/renovations to two of its school buildings.

On November 10, 2009, the Board of Directors approved the sale of General Obligation School Refunding Bonds, Series 2009, in an amount not to exceed \$5,175,000. On December 8, 2009, the Board of Directors approved the issuance of General Obligation School Refunding Bonds, Series 2009, totaling \$4,985,000. Additionally, the Board authorized the redemption of outstanding school bonds dated December 1, 2003.

On December 22, 2009, the District awarded a contract in the amount of \$130,660 to perform technology distribution services for the middle school and Franklin Elementary.

**Required Supplementary Information**

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

Year Ended June 30, 2009

	Governmental Fund Types - Actual	Proprietary Fund - Actual	Total	Original and Final Budget	Over (Under) Budget
<b>Receipts</b>					
Local sources .....	\$ 12,002,785	\$ 529,723	\$ 12,532,508	\$ 13,410,685	\$ (878,177)
Intermediate sources .....	7,854	—	7,854	29,000	(21,146)
State sources .....	11,915,314	8,917	11,924,231	12,791,346	(867,115)
Federal sources .....	915,172	381,799	1,296,971	971,000	325,971
<b>Total Receipts .....</b>	<b><u>24,841,125</u></b>	<b><u>920,439</u></b>	<b><u>25,761,564</u></b>	<b><u>27,202,031</u></b>	<b><u>(1,440,467)</u></b>
<b>Disbursements</b>					
Instruction.....	14,970,211	—	14,970,211	16,004,375	(1,034,164)
Support services .....	6,003,953	—	6,003,953	7,527,544	(1,523,591)
Noninstructional programs .....	—	905,941	905,941	1,140,501	(234,560)
Other expenditures.....	2,723,283	—	2,723,283	3,500,734	(777,451)
<b>Total Disbursements .....</b>	<b><u>23,697,447</u></b>	<b><u>905,941</u></b>	<b><u>24,603,388</u></b>	<b><u>28,173,154</u></b>	<b><u>(3,569,766)</u></b>
<b>Receipts Over (Under)</b>					
<b>Disbursements.....</b>	<b>1,143,678</b>	<b>14,498</b>	<b>1,158,176</b>	<b>(971,123)</b>	<b>2,129,299</b>
<b>Other Financing Sources (Uses) .....</b>	<b><u>130,477</u></b>	<b><u>—</u></b>	<b><u>130,477</u></b>	<b><u>(30)</u></b>	<b><u>130,507</u></b>
<b>Receipts and Other Financing Sources Over (Under)</b>					
<b>Disbursements.....</b>	<b>1,274,155</b>	<b>14,498</b>	<b>1,288,653</b>	<b>(971,153)</b>	<b><u>\$ 2,259,806</u></b>
Balance - Beginning of Year .....	<u>3,373,046</u>	<u>304,837</u>	<u>3,677,883</u>	<u>2,620,128</u>	
<b>Balance - End of Year .....</b>	<b><u>\$ 4,647,201</u></b>	<b><u>\$ 319,335</u></b>	<b><u>\$ 4,966,536</u></b>	<b><u>\$ 1,648,975</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 ended June 30, 2009, expenditures did not exceed the amounts budgeted.

## Schedule of Funding Progress for the Retiree Health Plan ---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008	\$—	\$1,556,000	\$1,556,000	0.0%	\$11,073,000	14.1%

See Note 17 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

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# Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2009

	Special Revenue Funds			Debt Service	Total Nonmajor Governmental Funds
	Management Account	Student Account	PPEL Fund		
<b>Assets</b>					
Cash and pooled investments .....	\$ 98,861	\$ 243,257	\$ 261,647	\$ 211,932	\$ 815,697
Receivables					
Property Taxes, Net					
Current year delinquent	7,502	—	10,554	882	18,938
Succeeding year .....	528,935	—	702,201	63,072	1,294,208
Due from other governments .....	—	1,500	24,711	2	26,213
<b>Total Assets .....</b>	<b>\$ 635,298</b>	<b>\$ 244,757</b>	<b>\$ 999,113</b>	<b>\$ 275,888</b>	<b>\$ 2,155,056</b>
<b>Liabilities and Equities</b>					
<b>Liabilities</b>					
Accounts payable .....	\$ 1,875	\$ 5,495	\$ 47,020	\$ —	\$ 54,390
Due to other funds .....	—	22,564	—	—	22,564
Deferred Revenue					
Succeeding year					
property taxes .....	528,935	—	702,201	63,072	1,294,208
Other .....	—	—	24,686	—	24,686
<b>Total Liabilities .....</b>	<b>530,810</b>	<b>28,059</b>	<b>773,907</b>	<b>63,072</b>	<b>1,395,848</b>
<b>Equities</b>					
Unreserved, undesignated fund balance .....	<b>104,488</b>	<b>216,698</b>	<b>225,206</b>	<b>212,816</b>	<b>759,208</b>
<b>Total Liabilities and Equities .....</b>	<b>\$ 635,298</b>	<b>\$ 244,757</b>	<b>\$ 999,113</b>	<b>\$ 275,888</b>	<b>\$ 2,155,056</b>

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

Year Ended June 30, 2009

	<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 .....	\$ 501,252	\$ —	\$ 700,113	\$ 58,459	\$ 1,259,824
Other .....	34,225	310,898	9,927	4,706	359,756
Federal sources.....	—	—	17,841	—	17,841
<b>Total Revenue.....</b>	<b><u>535,477</u></b>	<b><u>310,898</u></b>	<b><u>727,881</u></b>	<b><u>63,165</u></b>	<b><u>1,637,421</u></b>
<b>Expenditures</b>					
Instruction					
Regular instruction .....	149,909	—	148,021	—	297,930
Other instruction.....	—	285,414	—	—	285,414
Total Instruction.....	<u>149,909</u>	<u>285,414</u>	<u>148,021</u>	<u>—</u>	<u>583,344</u>
Support Services					
Student services .....	—	836	—	—	836
Instructional staff services	16,815	—	—	—	16,815
Administration services ...	61,851	2,125	186,597	—	250,573
Operation and mainten- ance of plant services....	219,912	—	85,775	—	305,687
Transportation services...	24,242	—	17,756	—	41,998
Total Support Services	<u>322,820</u>	<u>2,961</u>	<u>290,128</u>	<u>—</u>	<u>615,909</u>
Other Expenditures					
Facilities acquisition and construction .....	—	—	326,769	—	326,769
Long-Term Debt					
Principal.....	—	—	—	755,000	755,000
Interest and fiscal charges	—	—	—	457,960	457,960
Total Other Expenditures	<u>—</u>	<u>—</u>	<u>326,769</u>	<u>1,212,960</u>	<u>1,539,729</u>
<b>Total Expenditures.....</b>	<b><u>472,729</u></b>	<b><u>288,375</u></b>	<b><u>764,918</u></b>	<b><u>1,212,960</u></b>	<b><u>2,738,982</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>62,748</u></b>	<b><u>22,523</u></b>	<b><u>(37,037)</u></b>	<b><u>(1,149,795)</u></b>	<b><u>(1,101,561)</u></b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in.....	—	9,839	—	1,212,360	1,222,199
Operating transfers out.....	—	(22,564)	(237,675)	—	(260,239)
<b>Total Other Financing Sources (Uses).....</b>	<b><u>—</u></b>	<b><u>(12,725)</u></b>	<b><u>(237,675)</u></b>	<b><u>1,212,360</u></b>	<b><u>961,960</u></b>
<b>Net Change in Fund Balance .....</b>	<b>62,748</b>	<b>9,798</b>	<b>(274,712)</b>	<b>62,565</b>	<b>(139,601)</b>
Fund Balance - Beginning of Year .....	<u>41,740</u>	<u>206,900</u>	<u>499,918</u>	<u>150,251</u>	<u>898,809</u>
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 104,488</u></b>	<b><u>\$ 216,698</u></b>	<b><u>\$ 225,206</u></b>	<b><u>\$ 212,816</u></b>	<b><u>\$ 759,208</u></b>

See accompanying notes to the financial statements.

## Combining Schedule of Net Assets - Nonmajor Proprietary Funds

At June 30, 2009

	School Nutrition	Student Enterprise	Total
<b>Assets</b>			
Cash and cash equivalents .....	\$ 92,101	\$ 9,097	\$ 101,198
Inventories and prepaid items .....	21,183	6,699	27,882
Capital assets, net of accumulated depreciation .....	<u>203,735</u>	<u>—</u>	<u>203,735</u>
<b>Total Assets</b> .....	<b><u>\$ 317,019</u></b>	<b><u>\$ 15,796</u></b>	<b><u>\$ 332,815</u></b>
<b>Liabilities</b>			
Accounts payable .....	\$ 144	\$ 1,039	\$ 1,183
Salaries and benefits payable .....	<u>12,297</u>	<u>—</u>	<u>12,297</u>
<b>Total Liabilities</b> .....	<b><u>12,441</u></b>	<b><u>1,039</u></b>	<b><u>13,480</u></b>
<b>Net Assets</b>			
Invested in capital assets .....	203,735	—	203,735
Unrestricted .....	<u>100,843</u>	<u>14,757</u>	<u>115,600</u>
<b>Total Net Assets</b> .....	<b><u>304,578</u></b>	<b><u>14,757</u></b>	<b><u>319,335</u></b>
<b>Total Liabilities and Net Assets</b> .....	<b><u>\$ 317,019</u></b>	<b><u>\$ 15,796</u></b>	<b><u>\$ 332,815</u></b>

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

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Year Ended June 30, 2009

	School Nutrition	Student Enterprise	Total
<b>Operating Revenue</b>			
Local Sources			
Charges for service .....	<u>\$ 495,695</u>	<u>\$ 33,335</u>	<u>\$ 529,030</u>
<b>Operating Expenses</b>			
Noninstructional Programs			
Food Service Operations			
Salaries and benefits.....	339,590	—	339,590
Purchased services.....	3,135	12,310	15,445
Supplies .....	510,531	16,953	527,484
Depreciation .....	<u>23,422</u>	<u>—</u>	<u>23,422</u>
<b>Total Operating Expenses .....</b>	<b><u>876,678</u></b>	<b><u>29,263</u></b>	<b><u>905,941</u></b>
<b>Income (Loss) From Operations .....</b>	<b><u>(380,983)</u></b>	<b><u>4,072</u></b>	<b><u>(376,911)</u></b>
<b>Nonoperating Revenue</b>			
State sources.....	8,917	—	8,917
Federal sources.....	381,799	—	381,799
Interest on investments .....	<u>685</u>	<u>8</u>	<u>693</u>
<b>Total Nonoperating Revenue .....</b>	<b><u>391,401</u></b>	<b><u>8</u></b>	<b><u>391,409</u></b>
<b>Change in Net Assets.....</b>	<b>10,418</b>	<b>4,080</b>	<b>14,498</b>
Net Assets - Beginning of Year .....	<u>294,160</u>	<u>10,677</u>	<u>304,837</u>
<b>Net Assets - End of Year .....</b>	<b><u>\$ 304,578</u></b>	<b><u>\$ 14,757</u></b>	<b><u>\$ 319,335</u></b>

See accompanying notes to the financial statements.

## Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2009

	School Nutrition	Student Enterprise	Total Nonmajor Enterprise Funds
<b>Cash Flows From Operating Activities</b>			
Cash received from sale of lunches and breakfasts.....	\$ 508,712	\$ —	\$ 508,712
Cash received from student activities.....	—	33,335	33,335
Cash payments to employees for services.....	(339,481)	—	(339,481)
Cash payments to suppliers for goods and services.....	<u>(482,232)</u>	<u>(20,286)</u>	<u>(502,518)</u>
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>(313,001)</u></b>	<b><u>13,049</u></b>	<b><u>(299,952)</u></b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>			
State grants received.....	8,917	—	8,917
Federal grants received.....	<u>347,879</u>	<u>—</u>	<u>347,879</u>
<b>Net Cash Provided by Noncapital Financing Activities ..</b>	<b><u>356,796</u></b>	<b><u>—</u></b>	<b><u>356,796</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets.....	<u>(29,047)</u>	—	<u>(29,047)</u>
Repayment of debt.....	<u>—</u>	<u>(8,000)</u>	<u>(8,000)</u>
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b><u>(29,047)</u></b>	<b><u>(8,000)</u></b>	<b><u>(37,047)</u></b>
<b>Cash Flows From Investment Activities</b>			
Interest on investments .....	<u>685</u>	<u>8</u>	<u>693</u>
<b>Net Increase in Cash and Cash Equivalents.....</b>	<b>15,433</b>	<b>5,057</b>	<b>20,490</b>
Cash and Cash Equivalents at Beginning of Year.....	<u>76,668</u>	<u>4,040</u>	<u>80,708</u>
<b>Cash and Cash Equivalents at End of Year .....</b>	<b><u>\$ 92,101</u></b>	<b><u>\$ 9,097</u></b>	<b><u>\$ 101,198</u></b>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities</b>			
Income (loss) from operations.....	\$ (380,983)	\$ 4,072	\$ (376,911)
Adjustments to Reconcile Loss From Operations to Net Cash Provided by (Used in) Operating Activities			
Commodities used .....	32,634	—	32,634
Depreciation.....	23,422	—	23,422
Changes in Assets and Liabilities			
(Increase) decrease in inventories .....	(1,344)	7,938	6,594
Decrease in accounts receivable .....	12,836	—	12,836
Decrease in due from other funds.....	181	—	181
Increase in salaries and benefits payable .....	109	—	109
Increase in accounts payable.....	<u>144</u>	<u>1,039</u>	<u>1,183</u>
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b><u>\$ (313,001)</u></b>	<b><u>\$ 13,049</u></b>	<b><u>\$ (299,952)</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2009, the District received \$33,920 of federal commodities.

See accompanying notes to the financial statements.

## Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2009

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Fund balance unrestricted .....	\$ (8,656)	\$ 31,692	\$ 22,564	\$ 472
Donations (new middle school) .....	766	—	—	766
Musicals.....	396	620	600	416
Band uniforms .....	8,877	10,386	483	18,780
Cheerleading .....	5,335	2,697	1,446	6,586
Drill team .....	4,657	32	421	4,268
Basketball - B .....	19,894	12,052	21,845	10,101
State-sponsored tournament.....	14,005	12,945	26,950	—
Football - B .....	56,014	34,966	62,117	28,863
Baseball - B .....	(28,428)	37,499	8,799	272
Track - B .....	6,165	8,650	7,856	6,959
Cross Country - B.....	(2,531)	4,169	1,638	—
Soccer - B.....	4,336	4,367	4,550	4,153
Tennis - B .....	(6,393)	8,789	2,291	105
Golf - B .....	(5,683)	6,678	995	—
Swimming - B .....	(457)	3,101	2,644	—
Wresting - B.....	6,210	9,482	7,340	8,352
Basketball - G .....	2,621	10,459	9,759	3,321
Volleyball - G .....	(16,932)	23,998	7,066	—
Softball - G.....	7,315	3,724	10,186	853
Track - G.....	13,118	2,524	11,349	4,293
Cross Country - G.....	(3,401)	3,879	478	—
Soccer - G .....	4,857	5,759	9,438	1,178
Tennis - G.....	(9,369)	11,838	2,469	—
Golf - G .....	(3,823)	3,823	—	—
Swimming - G .....	(1,614)	4,007	2,393	—
Miscellaneous athletics.....	(9,985)	39,486	28,850	651
Lift-A-Thon Fund.....	1,995	4,146	6,112	29
RC woodworking .....	(6,427)	6,427	—	—
RC reclassified accounts .....	826	144	970	—
Dolphins.....	1,689	—	1,689	—
ID cards .....	—	4	4	—
Lockers .....	731	—	731	—
Art Club.....	229	—	229	—
Swim suits .....	2,893	—	2,893	—
Interest.....	6,190	—	6,190	—

# Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2009

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Class Day .....	\$ 250	\$ 232	\$ —	\$ 482
Class 2001.....	12	—	12	—
Class 2004.....	34	—	34	—
Class 2005.....	102	—	102	—
Class 2006.....	42	—	42	—
Senior Class .....	42	—	42	—
Future Homemakers.....	95	—	—	95
Future Farmers.....	(3,831)	17,954	19,821	(5,698)
FFA vending .....	(502)	—	3,196	(3,698)
Activity miscellaneous .....	(9,532)	10,368	836	—
Activity fund balance.....	(331)	331	—	—
Foreign Language Club .....	7,058	14,043	11,447	9,654
Chess Club .....	159	—	—	159
Thespian Club .....	(101)	5,033	3,691	1,241
Peer Helpers.....	1,556	523	1,000	1,079
Life Connections Club .....	(874)	874	—	—
Pottery Club.....	50	—	—	50
Key Club .....	718	1,128	1,322	524
Quiz Bowl .....	—	175	—	175
Helping Hands.....	—	100	—	100
National Honor Society.....	1,543	829	709	1,663
Student Council .....	3,383	12,247	10,988	4,642
Student Congress.....	1,409	4,992	5,108	1,293
SADD.....	100	125	—	225
SADD - MS .....	412	—	—	412
Journalism - Scroll.....	29,284	22,150	38,110	13,324
Spotlight.....	1,713	10,300	10,867	1,146
Yearbook - Middle School .....	63	3,426	3,250	239
RC Recycle.....	67	—	—	67
Drama.....	16,404	8,014	7,363	17,055
Speech .....	5,551	45	972	4,624
Prom.....	4,200	8,329	5,576	6,953
Intramurals.....	1,022	—	—	1,022
Elementary library.....	574	—	—	574
Bryant Hatchery Fund.....	92	—	76	16
Bryant .....	(135)	135	—	—

# Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2009

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Franklin (jump rope) .....	\$ 255	\$ —	\$ —	\$ 255
Franklin (box top).....	3,573	5,153	7,617	1,109
Franklin Fit for Life.....	1,500	1,500	—	3,000
Elementary Honor Choir.....	—	900	833	67
Lincoln .....	1,099	2,459	2,304	1,254
Lowell box tops.....	1,295	1,046	27	2,314
Lowell PTA/activity .....	—	3,340	2,239	1,101
Lowell Wal-Mart volunteer.....	(472)	472	—	—
Lowell .....	2,207	608	1,116	1,699
Page .....	1,610	177	540	1,247
Page/Bryant art fundraiser.....	892	—	135	757
Construction Tech .....	2,158	341	72	2,427
Adv Speech Fund.....	375	—	—	375
MS Art IA .....	851	—	—	851
Futures .....	842	1,086	510	1,418
MS Vocal Music.....	(4,139)	28,791	24,652	—
MS Band Fund.....	7,051	2,917	2,690	7,278
HS Instrumental Music .....	9,034	12,435	20,274	1,195
Orchestra Fund.....	9,455	3,500	4,115	8,840
PE (Iowa Games) .....	705	—	574	131
Red Cross Fund .....	5,025	—	962	4,063
Vocal Music Fund.....	12,046	12,609	21,672	2,983
LEGO League.....	(103)	408	305	—
MS outdoor working lab.....	708	5,719	4,384	2,043
HS/MS library .....	3,854	—	—	3,854
Operations and maintenance pop .....	69	—	—	69
MS principal miscellaneous.....	1,159	2,772	701	3,230
MS principal activity miscellaneous....	1,102	3,335	2,739	1,698
MS activity fund .....	(273)	273	—	—
Tag fundraising.....	1,837	3,169	3,383	1,623
TSA high school .....	1,485	2,739	1,679	2,545
TSA middle school.....	—	2,068	1,257	811
Dors for Dogs Fund .....	301	19	320	—
Reconnecting youth grant.....	1,050	—	1,050	—
Football score board.....	14,300	32,500	46,175	625
	<b><u>\$ 206,900</u></b>	<b><u>\$ 560,032</u></b>	<b><u>\$ 550,234</u></b>	<b><u>\$ 216,698</u></b>

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

Years Ended June 30, 2009, 2008, 2007 and 2006

	2009	2008	2007	2006
<b>Revenue</b>				
Local Sources				
Local taxes.....	\$ 9,362,981	\$ 9,001,345	\$ 9,053,675	\$ 7,883,932
Tuition .....	1,874,517	1,835,631	1,855,694	1,816,342
Other .....	765,287	1,013,826	1,300,917	1,548,970
Intermediate source.....	7,854	—	—	479
State sources.....	11,915,314	12,158,734	11,336,321	11,161,043
Federal sources.....	<u>915,172</u>	<u>606,531</u>	<u>865,332</u>	<u>541,175</u>
<b>Total</b>	<b><u>\$ 24,841,125</u></b>	<b><u>\$ 24,616,067</u></b>	<b><u>\$ 24,411,939</u></b>	<b><u>\$ 22,951,941</u></b>
<b>Expenditures</b>				
Instruction				
Regular instruction .....	\$ 9,880,039	\$ 10,297,855	\$ 10,019,156	\$ 9,031,889
Special instruction.....	3,936,127	3,723,582	3,797,441	3,762,965
Other instruction.....	1,154,045	1,368,168	1,303,120	1,167,500
Support Services				
Student services .....	676,150	773,552	746,397	749,001
Instructional staff services.....	453,867	554,688	714,945	671,320
Administration services.....	2,336,282	2,305,447	2,314,547	2,152,091
Operation and maintenance of plant services .....	2,056,123	2,262,848	2,058,498	1,694,632
Transportation services.....	481,531	556,578	495,398	482,188
Other Expenditures				
Facilities acquisition and construction .....	735,377	429,108	1,277,941	7,638,697
Long-Term Debt				
Principal.....	755,000	725,000	695,000	680,000
Interest and other charges .....	457,960	481,030	503,380	526,606
AEA flowthrough.....	<u>774,946</u>	<u>758,746</u>	<u>722,385</u>	<u>682,318</u>
<b>Total</b>	<b><u>\$ 23,697,447</u></b>	<b><u>\$ 24,236,602</u></b>	<b><u>\$ 24,648,208</u></b>	<b><u>\$ 29,239,207</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

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 2009	\$ 39,951
National School Lunch Program.....	10.555	FY 2009	314,936
Special Milk Program for Children .....	10.556	FY 2009	<u>316</u>
Total Cash Expenditures.....			<u>355,203</u>
Fresh Fruit and Vegetable Program.....	10.582	FY 2009	<u>26,595</u>
<b>Total U.S. Department of Agriculture.....</b>			<b><u>381,798</u></b>
<b>U.S. Department of Education</b>			
Pass-Through From Iowa Department of Education			
Title I Grants to Local Education Agencies .....	84.010	FY 2009	<u>230,399</u>
Career and Technical Education - Basic Grants to States .....	84.048	FY 2009	<u>45,629</u>
Safe and Drug-Free Schools and Communities - State Grants .....	84.186	FY 2009	<u>7,061</u>
Funds for the Improvement of Education.....	84.215	FY 2009	<u>17,841</u>
Improving Teacher Quality State Grants.....	84.367	FY 2009	<u>93,814</u>
Grants for State Assessment and Related Activities	84.369	FY 2009	<u>13,735</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.....	84.394	FY 2009	<u>182,147</u>
Pass-Through From Heartland Area Education Agency			
Special Education - Grants to States .....	84.027	FY 2009	<u>189,505</u>
<b>Total Pass-Through U.S. Department of Education .....</b>			<b><u>780,131</u></b>
<b>Total .....</b>			<b><u>\$ 1,161,929</u></b>

## 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**

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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, 2009, and the discretely presented component unit as of and for the year ended December 31, 2008, which collectively comprise the Boone Community School District's basic financial statements, and have issued our report thereon dated December 23, 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 09-II-IC-1 and 09-II-IC-2 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, 2009 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  
December 23, 2009

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

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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, 2009. 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, 2009.

### **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 09-III-IC-1 and 09-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  
December 23, 2009

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

## 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

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Year Ended June 30, 2009

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

### **Instances of Noncompliance:**

There were no reported instances of noncompliance.

### **Significant Deficiencies**

Prior year significant deficiencies have not been resolved and have been repeated below as items 09-II-IC-1 and 09-II-IC-2.

#### **09-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.

#### **09-II-IC-2 Internal Controls**

**Finding** - The Business Manager makes journal entries as needed, to correct errors in data entry. These entries are not consistently reviewed by a second person within the accounting department.

**Auditor's Recommendation** - A qualified person should review the journal entries made by the Business Manager to ensure they are properly supported and appropriate.

**District's Response** - The District will establish procedures to document a review of all journal entries.

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

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

### 09-II-IC-3 Disbursements

**Finding** - During our audit, we noted one disbursement which was not supported by an invoice or other form of receipt.

**Auditor's Recommendation** - The District should have procedures in place to ensure that all expenditures have appropriate support before payment is issued.

**District's Response** - We will ensure that all expenditures have supporting documentation.

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

### 09-II-IC-4 Board Approval of Disbursements

**Finding** - The District often pays bills before they are approved by the Board of Education.

**Auditor's Recommendation** - Each batch of claims should be summarized and presented to the Board for approval before being paid.

**District's Response** - The District will be revising the bill payment cycle to be in accordance with Board policy.

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

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

### **Instances of Noncompliance:**

There were no reported instances of noncompliance.

### **Significant Deficiencies**

Prior year significant deficiencies have not been resolved and have been repeated below as items 09-III-IC-1 and 09-III-IC-2.

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

#### **09-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 09-II-IC-1 for additional information.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

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

**Finding** - The District does not have proper internal controls in place to 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.

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program and**  
**CFDA Number 10.556: Special Milk Program for Children**  
**Federal Award Year: 2009**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

### 09-III-IC-3 Documentation of Free/Reduced-Price Eligibility

**Finding** - During our audit, we found that the District did not clearly indicate free/reduced-price meal eligibility in the files of supporting documentation, including any changes in eligibility during the year.

**Auditor's Recommendation** - The District should establish procedures to ensure proper documentation of the eligibility of students receiving free/reduced-price meals, including any changes in status.

**District's Response** - We will implement procedures to ensure that eligibility of students receiving free/reduced-price meals is clearly indicated and supported by proper documentation, including any changes in status.

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

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

- 09-IV-A Certified Budget** - Expenditures for the year ended June 30, 2009 did not exceed the certified budget amounts.
- 09-IV-B Questionable Expenditures** - No expenditures 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 09-II-IC-3.
- 09-IV-C Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

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

**09-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.

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

**09-IV-G Certified Enrollment** - The number of basic resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Form for October, 2008 was overstated. The District's certified enrollment count included one tuitioned out student in Line 1 which was also included in Line 3 as a tuitioned out resident public student. Also, the District's certified enrollment count included one nonresident student in Line 1 which was also included in Line 9 as a tuitioned nonresident public student. This resulted in overstating the total actual enrollment at Line 7 by two students.

**Auditor's Recommendation** - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

**District's Response** - We will contact the Iowa Department of Education and the Department of Management.

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

**09-IV-H Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

**09-IV-I Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

**09-IV-J Financial Condition** - Of the District's student activity accounts, two had deficit fund balances at June 30, 2009.

**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.

**09-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance .....		\$	—
Statewide sales and services tax revenue.....			1,281,487
Expenditures/Transfers Out			
School Infrastructure			
Other improvements .....	\$	408,608	
Transfers to Debt Service Fund .....		974,685	
Professional services related to revenue debt issue		<u>30,955</u>	<u>1,414,248</u>
<b>Ending Balance .....</b>			<b><u>\$ (132,761)</u></b>

**Boone Community School District**  
**Summary Schedule of Prior Federal Audit Findings**

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Year Ended June 30, 2009

<b>Comment Reference</b>	<b>Comment Title</b>	<b>Fiscal Year Finding Initially Occurred</b>	<b>Status</b>	<b>Planned Corrective Action</b>
08-III-IC-1	Segregation of Duties	6-30-05	Not corrected	We plan to monitor the situation and continue to segregate incompatible duties as efficiently as possible.
08-III-IC-2	Internal Controls Over Federal Revenue and Expenditures	6-30-06	Not corrected	The District is implementing a new accounting manual with new internal controls beginning in June, 2010.

# Boone Community School District

## Corrective Action Plan for Federal Audit Findings

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Year Ended June 30, 2009

<b>Comment Number</b>	<b>Comment Title</b>	<b>Corrective Action Plan</b>	<b>Contact Person, Title, Phone No.</b>	<b>Anticipated Date of Completion</b>
09-III-IC-1	Segregation of Duties	As documented in our response to the auditor's comment, we plan to monitor and segregate duties as efficiently as possible.	Paulette Newbold, Business Manager (515) 433-0750	We will monitor this situation and continue to segregate incompatible duties as efficiently as possible.
09-III-IC-2	Internal Control Over Federal Revenue and Expenditures	As documented in our response to the auditor's comment, we are implementing an accounting manual with new internal controls.	Paulette Newbold, Business Manager (515) 433-0750	June, 2010
09-III-IC-3	Documentation of Free/ Reduced-Price Eligibility	As documented in our response to the auditor's comment, we are implementing procedures to ensure that eligibility of students receiving free/reduced-price meals and changes in status are properly documented.	Paulette Newbold, Business Manager (515) 433-0750	March, 2010