

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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Introductory Section

Board of Education and School District Officials

At June 30, 2011

Name	Title	Term Expires
Board of Education		
Dr. Jeffrey Anderson	President	2011
Kirk Leeds	Vice President	2013
Shiloh Burke	Board Member	2011
Dan Tungesvik	Board Member	2013
Brad O'Neal	Board Member	2011
School Officials		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Indefinite

Financial Section



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Certified Public Accountants and Consultants

Independent Auditor's Report

Board of Education
Boone Community School District
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District, Boone, Iowa, at and for the year ended June 30, 2011, and the discretely presented component unit at and for the year ended December 31, 2010, 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, 2011 and the discretely presented component unit at December 31, 2010, 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 January 16, 2012 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 Pages 4 through 14 and 41 and 42 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 five years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on the 2010, 2009, 2008 and 2007 financial statements and a qualified opinion on the 2006 financial statements. Other supplementary information included on Pages 43 through 52, 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
January 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Boone Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased 6.5% from \$21,240,428 in fiscal year 2010 to \$22,631,257 in fiscal year 2011 while General Fund expenditures increased from \$20,299,199 in fiscal year 2010 to \$21,197,915 in fiscal year 2011. This resulted in an increase of \$1,434,542 in the District's General Fund balances, including nonspendable, restricted and unassigned fund balances, from \$3,142,538 in fiscal year 2010 to \$4,577,080 in fiscal year 2011.
- The increase in General Fund revenues was primarily attributable to an increase in state aid receipts of \$1,372,694 as American Recovery and Reinvestment Act (ARRA) funds were replaced.
- The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salaries and benefits, an increase in personnel and increased tuition payments to other districts and colleges.
- In January, 2011, the District issued \$4,545,000 of general obligation school refunding bonds for Series 2004A saving \$367,000, or 6.8%, in interest cost over the remaining life of the bonds

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 the 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 the 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 the Boone Community School District acts solely as an agent or custodian for the benefit of those outside the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year and a schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental 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.

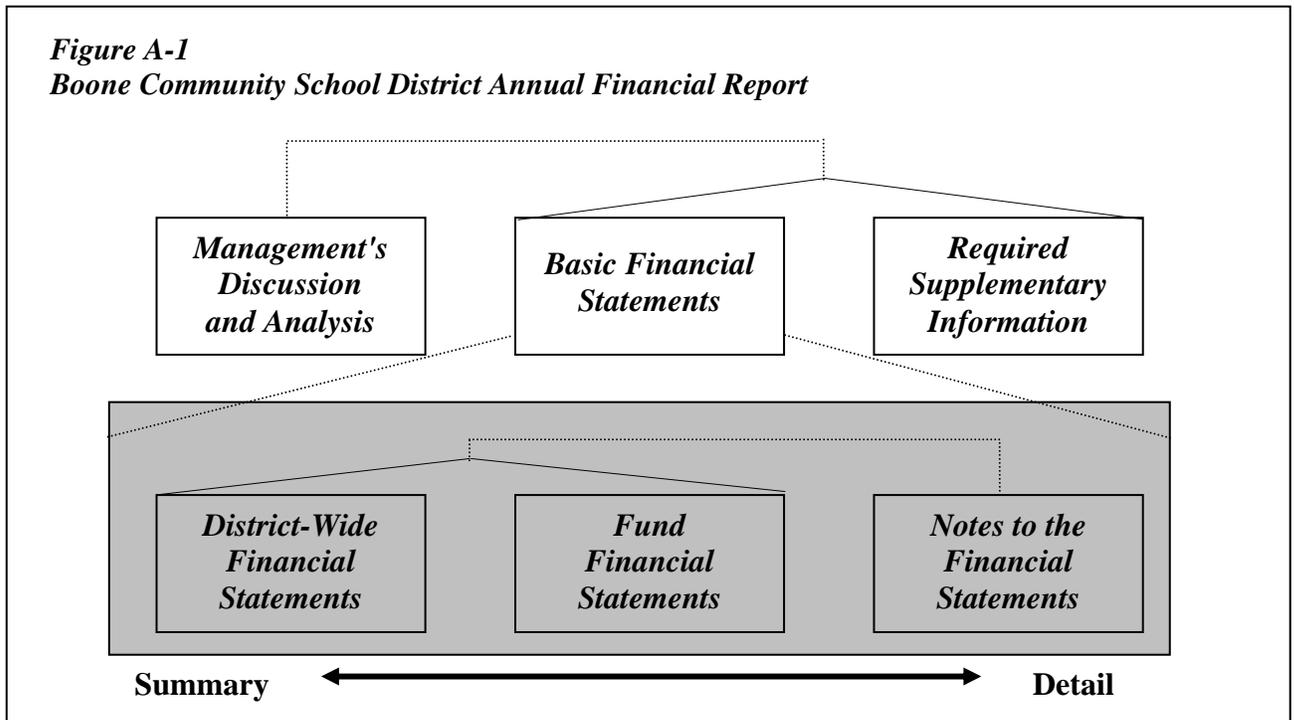


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Figure A-2</i>				
<i>Major Features of the Government-Wide and Fund Financial Statements</i>				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, 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

Government-Wide Financial Statements

The government-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 government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

Review of BCSD Property Tax Valuations by Year

Year	Taxable Valuation Without TIF	Increase/ (Decrease) Over Previous Year	Percent Change
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 %
FY10	415,002,669	17,954,543	4.52 %
FY11	429,019,784	14,017,115	3.38 %

BCSD Facilities by Age

	Built	Additions
Boone High School	1913	1924, 1954, 1986, 1995
Lincoln Elementary	1939	1960
Franklin Elementary	1954	1998, 2010
Page Elementary	1960	
Boone Middle School	2006	2010

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

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

Fund Financial Statements

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

Some funds are required by state law 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 government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenue, expenses and changes in 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 government-wide financial statements because it cannot use these assets to finance its operations.

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

Reconciliations between the government-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, 2011 compared to June 30, 2010.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and Other Assets	19,180	20,872	231	178	19,411	21,050	(7.8)%
Capital Assets	25,475	24,484	186	188	25,661	24,672	4.0 %
Total Assets	44,655	45,356	417	366	45,072	45,722	(1.4)%
Long-Term Liabilities	17,513	19,040	-	-	17,513	19,040	(8.0)%
Other Liabilities	10,587	11,417	15	21	10,602	11,438	(7.3)%
Total Liabilities	28,100	30,457	15	21	28,115	30,478	(7.8)%
Net Assets							
Invested in capital assets, net of related debt	7,391	5,573	186	188	7,577	5,761	31.5 %
Restricted	3,862	5,706	-	-	3,862	5,706	(32.3)%
Unrestricted	5,302	3,620	216	157	5,518	3,777	46.1 %
Total Net Assets	16,555	14,899	402	345	16,957	15,244	11.2 %

The District’s combined net assets increased 11.2%, or approximately \$1,713,000, 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 \$1,870,000, or 32.8%, over the prior period. The decrease was primarily a result of completion of the construction project on Franklin Elementary and the Middle School.

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 \$1,767,000, or 46.8%. The increase is primarily the result of revenues exceeding expenditures in the General Fund.

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, 2011 as compared to fiscal year 2010.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenue							
Program Revenue							
Charge for service	1,624	1,663	499	536	2,123	2,199	(3.4)%
Operating grants and contributions	4,000	4,945	464	440	4,464	5,385	(17.1)%
General Revenue							
Property tax	8,860	8,573	-	-	8,860	8,573	3.3 %
Statewide sales, service and use tax	1,532	1,301	-	-	1,532	1,301	17.8 %
Unrestricted state grants	9,828	8,002	-	-	9,828	8,002	22.8 %
Unrestricted investment earnings	13	33	-	-	13	33	(60.6)%
Other	238	72	-	-	238	72	230.6 %
Transfers (net)	-	10	-	(10)	-	-	- %
Total Revenue	26,095	24,599	963	966	27,058	25,565	5.8 %
Program Expenses							
Instruction	16,217	15,433	-	-	16,217	15,433	5.1 %
Support services	6,535	6,218	-	-	6,535	6,218	5.1 %
Non-instructional programs	-	-	905	941	905	941	(3.8)%
Other expenses	1,687	1,680	-	-	1,687	1,680	0.4 %
Total Expenses	24,439	23,331	905	941	25,344	24,272	4.4 %
Change in Net Assets	1,656	1,268	58	25	1,714	1,293	32.5 %

Property tax and unrestricted state grants accounted for 71.6% of the District’s total revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business-type activities.

The District’s total revenues were approximately \$27 million, of which \$26 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 5.8% increase in revenues and a 4.4% increase in expenses. The increase in revenue is primarily due to an increase in state aid receipts and the increase in expenses can be attributed to increased salaries and benefits expenditures and increased tuition costs.

Governmental Activities

Revenues for governmental activities were \$26,095,246 and expenses were \$24,439,190 for the year ended June 30, 2011.

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, 2011 and 2010.

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

	2011	2010	2011	2010
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
Instruction	\$ 16,217	\$ 15,433	\$ 11,511	\$ 9,786
Support Services	6,535	6,218	6,465	6,097
Other Expenses	1,687	1,680	839	840
Total	\$ 24,439	\$ 23,331	\$ 18,815	\$ 16,723

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$1,624,427.
- Federal and state governments and users of programs subsidized certain programs with grants and contributions totaling \$4,000,115.
- The net cost of governmental activities was financed with \$10,392,405 in property and other taxes and \$9,827,422 in unrestricted state grants.

Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2011 were \$962,614, representing a 1.4% decrease over the prior year, while expenses totaled \$904,792, a 3.8% decrease over the prior year.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 \$8,406,534 below last year's ending fund balances of \$8,668,568. As the construction project was completed, the Capital Projects Fund ended with a significant decrease in fund balance but this was offset with an increase in the General Fund balance as revenues exceeded expenditures. Additionally, debt service and other nonmajor funds ended the year with decreased fund balances.

Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$1,434,542 at the end of fiscal year 2011 to \$4,577,080. This increase was due to an increase in state aid receipts and revenues exceeding expenditures.
- The Capital Projects Fund balance decreased from \$4,391,262 at the end of fiscal year 2010 to \$2,883,304 at the end of fiscal year 2011. This was due to the completion of the Franklin Elementary and Middle School construction projects.
- 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 \$1,532,130 for fiscal year 2011.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$344,635 to \$402,457 at June 30, 2011.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Boone Community School District did not amend its budget.

The District's total revenues were \$814,677 less than total budgeted revenues, a variance of less than 3%. A state aid shortfall caused the total amount received to be less than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$25.7 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) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$778,003.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Land	319	319	-	-	319	319	- %
Construction in Progress	-	6,251	-	-	-	6,251	(100.0)%
Buildings	24,286	17,088	-	-	24,286	17,088	42.1 %
Furniture and Equipment	869	825	186	188	1,055	1,013	4.1 %
Total	25,474	24,483	186	188	25,660	24,671	4.0 %

LONG-TERM DEBT

On June 30, 2011, the District had a total of \$18,345,000 in general obligation and revenue bonds and other long-term obligations outstanding. This represents a decrease of 4.2% from the prior year total of \$19,148,650. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Early retirement obligations decreased from \$148,550 at June 30, 2010 to \$0 at June 30, 2011. Early retirement incentives are accrued upon retirement and paid to retirees the following January. The Board of Education did not offer an early retirement incentive for fiscal year 2011.

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

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General Obligation Bonds	9,530	10,030	(4.6)%
Revenue Bonds	8,705	8,930	(2.5)%
Early Retirement	-	149	(100.0)%
Net OPEB Liability	110	40	175.0 %
Total	18,345	19,149	4.2 %

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:

- The Boone Community School District Board of Education adopted a fiscal management policy in fiscal year 2011. Financial targets for two key school finance indicators, unspent authorized budget and solvency ratio, have been set to closely monitor the current and projected fiscal health of the District. Sustainability is an important goal which will require a spending plan related to budgetary allowable growth each year. Recurring expenses such as salaries and benefits which represent nearly 80% of the General Fund budget, must be scrutinized and adjusted as necessary to maintain the District's fiscal management goals.
- The District's General Fund balance increased during fiscal year 2011. The General Fund undesignated, unreserved fund balance increased from \$2,691,323 at June 30, 2010 to \$4,157,862 unassigned fund balance at June 30, 2011. The District's targeted solvency ratio at June 30 is a minimum of 15% of that year's revenues. The solvency ratio at June 30, 2011 is 18%.
- The District's unspent authorized budget balance, or the remaining legal spending authority at the end of a fiscal year, increased from \$2,761,059 at June 30, 2010 to \$3,684,035 at June 30, 2011. This is the most important financial health indicator for the District, and the fiscal management goal is no less than 10% with a target of 15%. The unspent balance ratio at June 30, 2011 is 13%. As the increase in expenditures continues to outpace the increase in new money, this balance will decline.
- During the most recent election on September 13, 2011, the voters of the Boone Community School District overwhelmingly supported a \$16.125 million general obligation bond issue with an 80.9% positive vote. This will provide funding for a project to renovate, repair and add additions to the existing high school over the next three years.
- The allowable growth for fiscal year 2012 is set at 0% and fiscal year 2013 has been set at 2%. The certified enrollment figures reported in October, 2011, which will be the basis for the District's state funding for fiscal year 2013, increased by nine students, or 0.4% over the current year. The District's five-year enrollment trend is down 2% and future enrollment declines are expected to continue.
- 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. Zero and two percent allowable growth and declining enrollment continue to have a significant impact on future budget decisions.
- The influx of Federal American Recovery and Reinvestment Act (ARRA) funds and Education Jobs funds during fiscal year 2010, 2011 and 2012 helped to maintain positions during state funding reductions and unstable economic conditions. The remaining \$373,000 of stimulus funding will be depleted during fiscal year 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Paulette Newbold, CPA, District Secretary/Treasurer and Director of Business Services, Boone Community School District, 500 Seventh Street, Boone, Iowa 50036-2898.

Basic Financial Statements

Statement of Net Assets

At June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
Assets				
Cash and cash equivalents.....	\$ 10,050,725	\$ 203,337	\$ 10,254,062	\$ 383,240
Receivables				
Property Taxes, Net of Allowance				
Current year delinquent	96,592	—	96,592	—
Succeeding year	6,903,656	—	6,903,656	—
Other.....	10,299	—	10,299	—
Due from other funds	—	4,966	4,966	—
Due from other governments	1,887,209	—	1,887,209	—
Inventories and prepaid expenses.....	45,308	22,333	67,641	—
Unamortized underwriter's discount.....	186,354	—	186,354	—
Capital assets, net of accumulated depreciation	<u>25,474,627</u>	<u>186,434</u>	<u>25,661,061</u>	<u>—</u>
Total Assets	<u>\$ 44,654,770</u>	<u>\$ 417,070</u>	<u>\$ 45,071,840</u>	<u>\$ 383,240</u>
Liabilities				
Accounts payable.....	\$ 453,998	\$ 1,507	\$ 455,505	\$ —
Salaries and benefits payable.....	2,007,354	13,106	2,020,460	—
Due to other funds.....	4,966	—	4,966	—
Due to other governments	223	—	223	—
Accrued interest payable	269,310	—	269,310	—
Deferred Revenue				
Other.....	7,729	—	7,729	—
Succeeding year property taxes.....	6,903,656	—	6,903,656	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds payable	630,000	—	630,000	—
Revenue bonds payable	310,000	—	310,000	—
Portion Due After One Year				
General obligation bonds payable	8,900,000	—	8,900,000	—
Revenue bonds payable	8,395,000	—	8,395,000	—
Unamortized premium on bonds payable.....	107,895	—	107,895	—
Net OPEB liability	<u>110,000</u>	<u>—</u>	<u>110,000</u>	<u>—</u>
Total Liabilities	<u>28,100,131</u>	<u>14,613</u>	<u>28,114,744</u>	<u>—</u>
Net Assets				
Invested in capital assets, net of related debt.....	7,391,062	186,434	7,577,496	—
Restricted For				
Categorical funding	373,910	—	373,910	—
Management levy	180,379	—	180,379	—
Property, plant and equipment levy.....	170,552	—	170,552	—
Student activities	206,208	—	206,208	—
Statewide sales, services and use tax	2,639,776	—	2,639,776	—
Debt service.....	290,253	—	290,253	—
Unrestricted.....	<u>5,302,499</u>	<u>216,023</u>	<u>5,518,522</u>	<u>—</u>
Total Net Assets	<u>16,554,639</u>	<u>402,457</u>	<u>16,957,096</u>	<u>383,240</u>
Total Liabilities and Net Assets	<u>\$ 44,654,770</u>	<u>\$ 417,070</u>	<u>\$ 45,071,840</u>	<u>\$ 383,240</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2011

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
Governmental Activities							
Instruction							
Regular instruction	\$ 10,524,028	\$ 1,034,488	\$ 2,339,767	\$ (7,149,773)	\$ —	\$ (7,149,773)	\$ —
Special instruction	4,418,902	302,241	615,217	(3,501,444)	—	(3,501,444)	—
Other instruction	1,274,184	253,277	160,727	(860,180)	—	(860,180)	—
Total Instruction	<u>16,217,114</u>	<u>1,590,006</u>	<u>3,115,711</u>	<u>(11,511,397)</u>	<u>—</u>	<u>(11,511,397)</u>	<u>—</u>
Support Services							
Student services	681,030	—	—	(681,030)	—	(681,030)	—
Instructional staff services	547,744	—	—	(547,744)	—	(547,744)	—
Administration services	2,316,062	—	—	(2,316,062)	—	(2,316,062)	—
Operation and maintenance of plant services	2,374,180	26,115	23,749	(2,324,316)	—	(2,324,316)	—
Transportation services	615,549	8,306	11,716	(595,527)	—	(595,527)	—
Total Support Services	<u>6,534,565</u>	<u>34,421</u>	<u>35,465</u>	<u>(6,464,679)</u>	<u>—</u>	<u>(6,464,679)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest	832,796	—	—	(832,796)	—	(832,796)	—
AEA flow through	848,939	—	848,939	—	—	—	—
Depreciation - unallocated	5,776	—	—	(5,776)	—	(5,776)	—
Total Other Expenditures	<u>1,687,511</u>	<u>—</u>	<u>848,939</u>	<u>(838,572)</u>	<u>—</u>	<u>(838,572)</u>	<u>—</u>
Total Governmental Activities	24,439,190	1,624,427	4,000,115	(18,814,648)	—	(18,814,648)	—
Business-Type Activities							
Noninstructional Programs							
Nutrition services	<u>904,792</u>	<u>498,668</u>	<u>463,731</u>	<u>—</u>	<u>57,607</u>	<u>57,607</u>	<u>—</u>
Total	\$ 25,343,982	\$ 2,123,095	\$ 4,463,846	(18,814,648)	57,607	(18,757,041)	—
Component Unit							
School Foundation	<u>\$ 21,761</u>	<u>\$ —</u>	<u>\$ 20,621</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,140)</u>
General Revenue							
Property Taxes Levied for							
General purposes				8,037,762	—	8,037,762	—
Capital outlay				754,722	—	754,722	—
Debt service				67,791	—	67,791	—
Statewide sales, services and use tax				1,532,130	—	1,532,130	—
Unrestricted State Grants							
General				9,827,422	—	9,827,422	—
Unrestricted investment earnings				12,507	215	12,722	17,264
Other				238,370	—	238,370	—
Total General Revenue				20,470,704	215	20,470,919	17,264
Change in Net Assets				1,656,056	57,822	1,713,878	16,124
Net Assets - Beginning of Year				14,898,583	344,635	15,243,218	367,116
Net Assets - End of Year				\$ 16,554,639	\$ 402,457	\$ 16,957,096	\$ 383,240

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2011

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Assets					
Cash and pooled investments.....	\$ 6,495,286	\$ 559,521	\$ 2,571,794	\$ 399,393	\$ 10,025,994
Receivables					
Property Taxes, Net					
Current year delinquent.....	81,043	791	8,806	5,952	96,592
Succeeding year	5,695,168	67,593	752,539	388,356	6,903,656
Accounts.....	10,299	—	—	—	10,299
Due from other governments.....	1,386,022	1	501,186	—	1,887,209
Prepaid expenses	45,308	—	—	—	45,308
Total Assets.....	<u>\$ 13,713,126</u>	<u>\$ 627,906</u>	<u>\$ 3,834,325</u>	<u>\$ 793,701</u>	<u>\$ 18,969,058</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 235,046	\$ 750	\$ 198,482	\$ 15,013	\$ 449,291
Salaries and benefits payable.....	2,004,302	—	—	3,052	2,007,354
Due to other governments	223	—	—	—	223
Due to other funds.....	4,273	—	—	693	4,966
Deferred Revenue					
Succeeding year property taxes.....	5,695,168	67,593	752,539	388,356	6,903,656
Other.....	1,197,034	—	—	—	1,197,034
Total Liabilities	<u>9,136,046</u>	<u>68,343</u>	<u>951,021</u>	<u>407,114</u>	<u>10,562,524</u>
Fund Balances					
Nonspendable					
Prepaid expenditure	45,308	—	—	—	45,308
Restricted for					
Categorical funding	373,910	—	—	—	373,910
Debt service.....	—	559,563	—	—	559,563
Management levy purposes	—	—	—	180,379	180,379
Student activities	—	—	—	206,208	206,208
School infrastructure	—	—	2,712,752	—	2,712,752
Physical plant and equipment purchases.....	—	—	170,552	—	170,552
Unassigned.....	4,157,862	—	—	—	4,157,862
Total Fund Balances	<u>4,577,080</u>	<u>559,563</u>	<u>2,883,304</u>	<u>386,587</u>	<u>8,406,534</u>
Total Liabilities and Fund Balances	<u>\$ 13,713,126</u>	<u>\$ 627,906</u>	<u>\$ 3,834,325</u>	<u>\$ 793,701</u>	<u>\$ 18,969,058</u>

See accompanying notes to the financial statements.

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

At June 30, 2011

Total Fund Balances for Governmental Funds (Page 17).....		\$ 8,406,534
 <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		25,474,627
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.....		12,295
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds		1,197,034
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.....		(269,310)
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.		
Revenue bonds payable	\$ (8,705,000)	
General obligation bonds payable.....	(9,530,000)	
Other postemployment benefits	(110,000)	
Unamortized premium on bonds payable	(107,895)	
Unamortized underwriter's discount.....	186,354	(18,266,541)
Net Assets of Governmental Activities (Page 15)		<u>\$ 16,554,639</u>

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

Year Ended June 30, 2011

	General	Debt Service	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
Revenue					
Local Sources					
Local taxes	\$ 7,536,699	\$ 67,791	\$ 2,286,852	\$ 501,064	\$ 10,392,406
Tuition	1,237,200	—	—	—	1,237,200
Other	177,502	2,558	163,427	356,598	700,085
State sources	12,165,691	—	—	—	12,165,691
Federal sources	1,514,165	—	—	—	1,514,165
Total Revenue	<u>22,631,257</u>	<u>70,349</u>	<u>2,450,279</u>	<u>857,662</u>	<u>26,009,547</u>
Expenditures					
Current					
Instruction					
Regular instruction	9,032,548	—	230,751	277,189	9,540,488
Special instruction	4,405,512	—	—	—	4,405,512
Other instruction	908,985	—	—	350,400	1,259,385
Total Instruction	<u>14,347,045</u>	<u>—</u>	<u>230,751</u>	<u>627,589</u>	<u>15,205,385</u>
Support Services					
Student services	678,451	—	—	—	678,451
Instructional staff services	542,332	—	2,817	—	545,149
Administration services	2,245,997	—	23,792	20,538	2,290,327
Operation and maintenance of plant services	2,001,346	—	166,644	232,918	2,400,908
Transportation services	533,805	—	122,034	14,306	670,145
Total Support Services	<u>6,001,931</u>	<u>—</u>	<u>315,287</u>	<u>267,762</u>	<u>6,584,980</u>
Other Expenditures					
Facilities acquisition and construction	—	—	2,044,080	—	2,044,080
Long-Term Debt					
Principal	—	790,000	—	—	790,000
Interest and fiscal charges	—	831,644	—	—	831,644
AEA flowthrough	848,939	—	—	—	848,939
Total Other Expenditures	<u>848,939</u>	<u>1,621,644</u>	<u>2,044,080</u>	<u>—</u>	<u>4,514,663</u>
Total Expenditures	<u>21,197,915</u>	<u>1,621,644</u>	<u>2,590,118</u>	<u>895,351</u>	<u>26,305,028</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>1,433,342</u>	<u>(1,551,295)</u>	<u>(139,839)</u>	<u>(37,689)</u>	<u>(295,481)</u>
Other Financing Sources (Uses)					
Refunding bonds issued	—	4,545,000	—	—	4,545,000
Refunding bond principal payments	—	(4,480,000)	—	—	(4,480,000)
Bond underwriter's discount	—	(32,753)	—	—	(32,753)
Proceeds from sale of property	1,200	—	—	—	1,200
Operating transfers in	—	1,368,119	—	—	1,368,119
Operating transfers out	—	—	(1,368,119)	—	(1,368,119)
Total Other Financing Sources (Uses)	<u>1,200</u>	<u>1,400,366</u>	<u>(1,368,119)</u>	<u>—</u>	<u>33,447</u>
Net Change in Fund Balances	<u>1,434,542</u>	<u>(150,929)</u>	<u>(1,507,958)</u>	<u>(37,689)</u>	<u>(262,034)</u>
Fund Balance - Beginning of Year, as Restated (Note 17)	3,142,538	710,492	4,391,262	424,276	8,668,568
Fund Balance - End of Year	<u>\$ 4,577,080</u>	<u>\$ 559,563</u>	<u>\$ 2,883,304</u>	<u>\$ 386,587</u>	<u>\$ 8,406,534</u>

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, 2011

Change in Fund Balances - Total Governmental Funds (Page 19) \$ (262,034)

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.....	\$ 1,744,937	
Depreciation expense	<u>(753,969)</u>	990,968

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect of these differences in the treatment of long-term debt and related items:

Long-term debt issued	\$ (4,545,000)	
Long-term debt principal repaid	5,270,000	
Bond underwriter's discount.....	32,753	
Amortization of discounts and premiums	2,037	
Increase in accrued interest.....	<u>(3,189)</u>	756,601

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

Prior period.....	\$ (1,112,535)	
Current period	<u>1,197,034</u>	84,499

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.....

7,372

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.	\$ 148,550	
Other postemployment benefits	<u>(69,900)</u>	<u>78,650</u>

Change in Net Assets of Governmental Activities (Page 16) \$ 1,656,056

Statement of Net Assets - Proprietary Funds

At June 30, 2011

	Total Nonmajor Enterprise Fund	Internal <u>Service Fund</u> Self-Insurance Fund
Assets		
Cash and cash equivalents	\$ 203,337	\$ 24,731
Due from other funds.....	4,966	—
Inventories and prepaid items	22,333	—
Capital assets, net of accumulated depreciation	<u>186,434</u>	<u>—</u>
Total Assets	<u>\$ 417,070</u>	<u>\$ 24,731</u>
Liabilities		
Accounts payable	\$ 1,507	\$ 4,707
Salaries and benefits payable	13,106	—
Deferred revenue.....	<u>—</u>	<u>7,729</u>
Total Liabilities	<u>14,613</u>	<u>12,436</u>
Net Assets		
Invested in capital assets	186,434	—
Unrestricted	<u>216,023</u>	<u>12,295</u>
Total Net Assets	<u>402,457</u>	<u>12,295</u>
Total Liabilities and Net Assets	<u>\$ 417,070</u>	<u>\$ 24,731</u>

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

Year Ended June 30, 2011

	Total Nonmajor Enterprise Fund	Internal <u>Service Fund</u> Self-Insurance Fund
Operating Revenue		
Charges for service	\$ 498,668	\$ —
Self-insurance contributions	<u>—</u>	<u>87,329</u>
Total Operating Revenue	<u>498,668</u>	<u>87,329</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	345,980	—
Purchased services.....	3,607	—
Supplies	531,171	—
Depreciation	24,034	—
Self-insurance claims and fees.....	<u>—</u>	<u>79,979</u>
Total Operating Expenses	<u>904,792</u>	<u>79,979</u>
Income (Loss) From Operations	<u>(406,124)</u>	<u>7,350</u>
Nonoperating Revenue		
State sources.....	8,512	—
Federal sources.....	455,219	—
Interest on investments	<u>215</u>	<u>22</u>
Total Nonoperating Revenue	<u>463,946</u>	<u>22</u>
Increase in Net Assets	57,822	7,372
Net Assets - Beginning of Year	<u>344,635</u>	<u>4,923</u>
Net Assets - End of Year	<u>\$ 402,457</u>	<u>\$ 12,295</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2011

	Total Nonmajor Enterprise Fund	Internal <u>Service Fund</u> Self-Insurance Fund
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 497,473	\$ —
Cash received from assessments made to other funds	—	87,672
Cash payments to employees for services.....	(345,524)	—
Cash payments to suppliers for goods and services.....	(505,968)	—
Cash payments for insurance claims.....	<u>—</u>	<u>(78,653)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(354,019)</u>	<u>9,019</u>
Cash Flows Provided by Noncapital Financing Activities		
State grants received.....	8,512	—
Federal grants received.....	<u>416,842</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>425,354</u>	<u>—</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	<u>(22,812)</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>215</u>	<u>22</u>
Net Increase in Cash and Cash Equivalents	48,738	9,041
Cash and Cash Equivalents at Beginning of Year.....	<u>154,599</u>	<u>15,690</u>
Cash and Cash Equivalents at End of Year	<u>\$ 203,337</u>	<u>\$ 24,731</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations	\$ (406,124)	\$ 7,350
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used	36,365	—
Depreciation	24,034	—
Changes in Assets and Liabilities		
Increase in inventories	(212)	—
Decrease in accounts receivable	3,771	—
Increase in salaries and benefits payable	456	—
Increase (decrease) in accounts payable.....	(7,343)	1,326
Decrease in deferred revenue.....	—	343
Increase in due from proprietary fund	<u>(4,966)</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (354,019)</u>	<u>\$ 9,019</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2011, the District received \$38,378 of federal commodities.

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets - Fiduciary Fund ---

At June 30, 2011

	Private Purpose Trusts
Assets	
Cash, Cash Equivalents and Pooled Investments	<u>\$ 154,246</u>
Liabilities	
Accounts payable	\$ —
Net Assets	
Reserved for scholarships	<u>154,246</u>
Total Liabilities and Net Assets	<u>\$ 154,246</u>

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

Year Ended June 30, 2011

	Private Purpose Trusts
Additions	
Local Sources	
Gifts and contributions	\$ 6,484
Interest income	<u>649</u>
Total Additions	7,133
Deductions	
Support Services	
Scholarships awarded.....	<u>6,991</u>
Change in Net Assets	142
Net Assets - Beginning of Year	<u>154,104</u>
Net Assets - End of Year	<u>\$ 154,246</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Boone Community School District is a political subdivision of the State of Iowa and operates a preschool and 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. 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, 2010.

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.

Government-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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Basis of Presentation

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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

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 *Debt Service Fund* is used to account for the payment of interest and principal on the District's general long-term debt.

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 government-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.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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, 2011, total inventories included government commodities valued at \$22,333 which were on hand. Expenditures are recognized when the inventory is used.

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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. The District did not have any intangible assets at June 30, 2011. 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
Intangibles.....	50,000
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
Intangibles.....	5 - 10 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.

Compensated Absences

District employees accumulate a limited amount of earned but unused paid time off for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Obligations

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

Fund Equity

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

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets

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

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, 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.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$7,269,290. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk

The District's Private Purpose Trust Fund investments consist of \$25,082 in certificates of deposits with maturities ranging from August, 2011 to November, 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 interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Nutrition	General	\$ 4,273
Nutrition	Nonmajor	693
		<u>\$ 4,966</u>

The General and Student Account Funds are repaying the Nutrition Fund for catering services. The balance is to be repaid in the current year.

Notes to the Financial Statements

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 1,368,119</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress	<u>6,250,740</u>	<u>1,387,234</u>	<u>7,637,974</u>	<u>—</u>
Total Capital Assets Not Being Depreciated.....	<u>6,570,172</u>	<u>1,387,234</u>	<u>7,637,974</u>	<u>319,432</u>
Capital Assets Being Depreciated				
Buildings and improvements	28,125,431	7,797,931	—	35,923,362
Furniture and equipment.....	<u>1,861,744</u>	<u>197,746</u>	<u>30,800</u>	<u>2,028,690</u>
Total Capital Assets Being Depreciated.....	<u>29,987,175</u>	<u>7,995,677</u>	<u>30,800</u>	<u>37,952,052</u>
Less Accumulated Depreciation for				
Buildings and improvements	11,037,351	600,263	—	11,637,614
Furniture and equipment.....	<u>1,036,337</u>	<u>153,706</u>	<u>30,800</u>	<u>1,159,243</u>
Total Accumulated Depreciation ..	<u>12,073,688</u>	<u>753,969</u>	<u>30,800</u>	<u>12,796,857</u>
Net Total Capital Assets Being Depreciated.....	<u>17,913,487</u>	<u>7,241,708</u>	<u>—</u>	<u>25,155,195</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 24,483,659</u>	<u>\$ 8,628,942</u>	<u>\$ 7,637,974</u>	<u>\$ 25,474,627</u>
Business-Type Activities				
Furniture and equipment	\$ 345,355	\$ 22,812	\$ —	\$ 368,167
Less accumulated depreciation	<u>157,699</u>	<u>24,034</u>	<u>—</u>	<u>181,733</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 187,656</u>	<u>\$ (1,222)</u>	<u>\$ —</u>	<u>\$ 186,434</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged as follows:

Governmental Activities

Instruction	
Regular.....	\$ 641,482
Other	11,301
Support Services	
Instructional staff services.....	1,037
Administrative services	17,572
Operation and maintenance of plant services.....	11,049
Transportation.....	<u>65,752</u>
Subtotal	748,193
Unallocated	<u>5,776</u>
Total Governmental Activities Depreciation Expense	<u>\$ 753,969</u>

Business-Type Activities

Food Service.....	<u>\$ 24,034</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation					
bonds	\$ 10,030,000	\$ 4,545,000	\$ 5,045,000	\$ 9,530,000	\$ 630,000
Revenue bonds	8,930,000	—	225,000	8,705,000	310,000
Early retirement	148,550	—	148,550	—	—
Net OPEB liability	40,100	69,900	—	110,000	—
Total	<u>\$ 19,148,650</u>	<u>\$ 4,614,900</u>	<u>\$ 5,418,550</u>	<u>\$ 18,345,000</u>	<u>\$ 940,000</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

June 30,	Bond Issue of December 22, 2009			Bond Issue of March 1, 2011			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2012	3.50 - 4.00%	\$ —	\$ 193,850	1.00%	\$ 630,000	\$ 102,850	\$ 630,000	\$ 296,700
2013	3.50 - 4.00	—	193,850	1.00	650,000	81,858	650,000	275,708
2014	3.50 - 4.00	—	193,850	1.10	650,000	75,358	650,000	269,208
2015	3.50 - 4.00	—	193,850	1.45	655,000	68,208	655,000	262,058
2016	3.50 - 4.00	545,000	193,850	1.80	125,000	58,710	670,000	252,560
2017-21	3.50 - 4.00	2,395,000	650,375	2.10 - 2.85	650,000	252,464	3,045,000	902,839
2022-26	4.00	2,045,000	163,600	3.00 - 3.45	1,185,000	106,630	3,230,000	270,230
Total		<u>\$ 4,985,000</u>	<u>\$ 1,783,225</u>		<u>\$ 4,545,000</u>	<u>\$ 746,078</u>	<u>\$ 9,530,000</u>	<u>\$ 2,529,303</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012.....	4.00%	\$ 310,000	\$ 397,640	\$ 707,640
2013.....	4.00	315,000	385,140	700,140
2014.....	4.00	370,000	371,440	741,440
2015.....	4.00	365,000	356,740	721,740
2016.....	4.00	370,000	342,040	712,040
2017-21	4.000 - 4.50	1,990,000	1,474,481	3,464,481
2022-26	4.625 - 5.00	2,480,000	973,127	3,453,127
2027-31	5.000 - 5.30	<u>2,505,000</u>	<u>273,810</u>	<u>2,778,810</u>
		<u>\$ 8,705,000</u>	<u>\$ 4,574,418</u>	<u>\$ 13,279,418</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$8,930,000 of bonds issued in August, 2009. The bonds were issued for the purpose of financing the cost of an addition at the Middle School and an addition and remodeling at Franklin Elementary. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2031. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$13,279,418. For the current year, principal of \$225,000 was paid and interest of \$408,340 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,532,130.

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

- (a) \$748,840 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all the revenue bond provisions during the year ended June 30, 2011.

Notes to the Financial Statements

(7) 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, 2011.

Year Ending June 30,	
2012.....	\$ 37,080
2013.....	37,080
2014.....	<u>37,080</u>
Total	<u>\$ 111,240</u>

Total rental expenditures for the year ended June 30, 2011 for all operating leases, except those with terms of a month or less that were not renewed, was \$38,131.

(8) 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 4.5% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$957,168, \$915,530 and \$846,909, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

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 211 active and 16 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit medical plan is administered by Wellmark Blue Cross Blue Shield Alliance Select. The dental benefit, which is a self-funded plan, 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

(9) 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution.....	\$ 137,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(2,100)</u>
Annual OPEB Cost	136,900
Contributions made	<u>(67,000)</u>
Increase in Net OPEB Obligation.....	69,900
Net OPEB Obligation - Beginning of Year	<u>40,100</u>
Net OPEB Obligation - End of Year.....	<u>\$ 110,000</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, 2011.

For the fiscal year 2011, the District contributed \$67,000 to the medical plan. Plan members eligible for benefits contributed \$0 or 0% of the premiums cost.

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, 2011 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
June 30, 2010	147,100	94.5	40,100
June 30, 2011	137,000	48.9	110,000

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period of July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.397 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.397 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.594 million, and the ratio of the UAAL to the covered payroll was 12%. As of June 30, 2011, there were no trust fund assets.

(9) 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, 2010 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$748 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.

(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 \$848,939 for the year ended June 30, 2011, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Notes to the Financial Statements

(12) Early Retirement

The District Board of Education evaluates annually whether to offer an early retirement incentive 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 were 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, 2011 totaled \$148,550.

(13) Insurance Recovery

The District received \$95,684 from its insurance carrier towards repairs of \$96,684 due to a fire at Franklin Elementary School.

(14) 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, 2011 was approximately \$2,030,000.

(15) 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 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, 2011:

Estimated claims incurred but not reported - June 30, 2010	\$ 3,381
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2011	81,305
Claims paid during the year ended June 30, 2011	<u>79,979</u>
Estimated Claims Incurred But Not Reported - June 30, 2011	<u>\$ 4,707</u>

Notes to the Financial Statements

(16) Subsequent Events

Management has evaluated events through January 16, 2012, the date which the financial statements were available to be issued.

Voters approved \$16.125 million in general obligation bonds for the purpose of high school renovation and an addition. The Board of Education approved the issuance of approximately \$5.8 million in school infrastructure sales, services and use tax revenue bonds in 2012 to finance a portion of the high school renovation and an addition. In connection with this project, the Board of Education has approved the architect contract for \$1.4 million.

The Board of Education approved and completed the demolition of two elementary schools no longer used by the District, and the land is now for sale.

(17) Accounting Change/Restatement

Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	All Other Nonmajor
Balances - June 30, 2010, as previously reported	\$ 4,184,018	\$ 631,520
Change in fund type classification per implementation of GASB Statement No. 54	<u>207,244</u>	<u>(207,244)</u>
Balances - July 1, 2010, as Restated	<u>\$ 4,391,262</u>	<u>\$ 424,276</u>

Required Supplementary Information

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

Year Ended June 30, 2011

	Governmental Fund Types - Actual	Proprietary Fund Type - Actual	Total	Original and Final Budget	Over (Under) Budget
Receipts					
Local sources	\$ 12,329,691	\$ 498,883	\$ 12,828,574	\$ 13,352,922	\$ (524,348)
Intermediate sources	—	—	—	10,000	(10,000)
State sources	12,165,691	8,512	12,174,203	13,233,916	(1,059,713)
Federal sources	<u>1,514,165</u>	<u>455,219</u>	<u>1,969,384</u>	<u>1,190,000</u>	<u>779,384</u>
Total Receipts	<u>26,009,547</u>	<u>962,614</u>	<u>26,972,161</u>	<u>27,786,838</u>	<u>(814,677)</u>
Disbursements					
Instruction.....	15,205,385	—	15,205,385	17,206,973	(2,001,588)
Support services	6,584,980	—	6,584,980	7,280,124	(695,144)
Noninstructional programs	—	904,792	904,792	1,008,600	(103,808)
Other expenditures.....	<u>4,514,663</u>	<u>—</u>	<u>4,514,663</u>	<u>10,379,155</u>	<u>(5,864,492)</u>
Total Disbursements	<u>26,305,028</u>	<u>904,792</u>	<u>27,209,820</u>	<u>35,874,852</u>	<u>(8,665,032)</u>
Receipts Over (Under) Disbursements.....	(295,481)	57,822	(237,659)	(8,088,014)	7,850,355
Other Financing Sources (Uses) (Net)	<u>33,447</u>	<u>—</u>	<u>33,447</u>	<u>4,800,000</u>	<u>(4,766,553)</u>
Receipts and Other Financing Sources Over (Under) Disbursements.....	(262,034)	57,822	(204,212)	(3,288,014)	<u>\$ 3,083,802</u>
Balance - Beginning of Year	<u>8,668,568</u>	<u>344,635</u>	<u>9,013,203</u>	<u>6,664,840</u>	
Balance - End of Year	<u>\$ 8,406,534</u>	<u>\$ 402,457</u>	<u>\$ 8,808,991</u>	<u>\$ 3,376,826</u>	

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, 2011, expenditures did not exceed the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,556,000	\$ 1,556,000	0	\$ 11,073,000	14.1%
2010	7-1-08	—	1,556,000	1,556,000	0	12,555,000	12.4
2011	7-1-10	—	1,397,000	1,397,000	0	11,594,000	12.0

See Note 9 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

Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2011

	<u>Special Revenue Funds</u>		Total Nonmajor Govern- mental Funds
	Management Account	Student Account	
Assets			
Cash and pooled investments	\$ 182,479	\$ 216,914	\$ 399,393
Receivables			
Property Taxes, Net			
Current year delinquent	5,952	—	5,952
Succeeding year	<u>388,356</u>	<u>—</u>	<u>388,356</u>
Total Assets	<u>\$ 576,787</u>	<u>\$ 216,914</u>	<u>\$ 793,701</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 5,000	\$ 10,013	\$ 15,013
Due to other funds	—	693	693
Salaries and benefits payable	3,052	—	3,052
Deferred Revenue			
Succeeding year property taxes	<u>388,356</u>	<u>—</u>	<u>388,356</u>
Total Liabilities	<u>396,408</u>	<u>10,706</u>	<u>407,114</u>
Fund Balances			
Restricted for			
Management levy purpose	180,379	—	180,379
Student activities	<u>—</u>	<u>206,208</u>	<u>206,208</u>
Total Fund Balances	<u>180,379</u>	<u>206,208</u>	<u>386,587</u>
Total Liabilities and Fund Balances	<u>\$ 576,787</u>	<u>\$ 216,914</u>	<u>\$ 793,701</u>

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

Year Ended June 30, 2011

	Special Revenue Funds		Total Nonmajor Govern- mental Funds
	Management Account	Student Account	
Revenue			
Local Sources			
Local taxes	\$ 501,064	\$ —	\$ 501,064
Other	25,604	330,994	356,598
Total Revenue	<u>526,668</u>	<u>330,994</u>	<u>857,662</u>
Expenditures			
Instruction			
Regular instruction.....	277,189	—	277,189
Other instruction	—	350,400	350,400
Total Instruction	<u>277,189</u>	<u>350,400</u>	<u>627,589</u>
Support Services			
Administration services.....	19,937	601	20,538
Operation and maintenance of plant services	221,856	11,062	232,918
Transportation services	14,306	—	14,306
Total Support Services	<u>256,099</u>	<u>11,663</u>	<u>267,762</u>
Total Expenditures	<u>533,288</u>	<u>362,063</u>	<u>895,351</u>
Revenue Over (Under) Expenditures	<u>(6,620)</u>	<u>(31,069)</u>	<u>(37,689)</u>
Net Change in Fund Balance	(6,620)	(31,069)	(37,689)
Fund Balance - Beginning of Year, as Restated (Note 17)	<u>186,999</u>	<u>237,277</u>	<u>424,276</u>
Fund Balance - End of Year	<u>\$ 180,379</u>	<u>\$ 206,208</u>	<u>\$ 386,587</u>

Combining Balance Sheet - Capital Projects Funds

At June 30, 2011

	<u>Capital Projects Funds</u>		Total Capital Projects Funds
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Assets			
Cash and pooled investments	\$ 2,346,613	\$ 225,181	\$ 2,571,794
Receivables			
Property Taxes, Net			
Current year delinquent	—	8,806	8,806
Succeeding year	—	752,539	752,539
Due from other governments	<u>501,176</u>	<u>10</u>	<u>501,186</u>
Total Assets	<u>\$ 2,847,789</u>	<u>\$ 986,536</u>	<u>\$ 3,834,325</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 135,037	\$ 63,445	\$ 198,482
Deferred Revenue			
Succeeding year property taxes	<u>—</u>	<u>752,539</u>	<u>752,539</u>
Total Liabilities.....	<u>135,037</u>	<u>815,984</u>	<u>951,021</u>
Fund Balances			
Restricted	<u>2,712,752</u>	<u>170,552</u>	<u>2,883,304</u>
Total Liabilities and Fund Balances	<u>\$ 2,847,789</u>	<u>\$ 986,536</u>	<u>\$ 3,834,325</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Funds

Year Ended June 30, 2011

	Capital Projects Funds		Total
	Statewide	Physical Plant	Capital
	Sales, Services	and Equip-	Projects
	and Use Tax	ment Levy	Funds
Revenue			
Local Sources			
Local taxes	\$ 1,532,130	\$ 754,722	\$ 2,286,852
Other.....	163,167	260	163,427
Total Revenue	1,695,297	754,982	2,450,279
Expenditures			
Instruction			
Regular instruction.....	24,425	206,326	230,751
Support Services			
Instructional staff	—	2,817	2,817
Administration services.....	7,052	16,740	23,792
Operation and maintenance of plant			
services	—	166,644	166,644
Transportation services	—	122,034	122,034
Facilities acquisition.....	1,766,967	277,113	2,044,080
Total Expenditures	1,798,444	791,674	2,590,118
Revenue Over (Under) Expenditures	(103,147)	(36,692)	(139,839)
Other Financing Sources (Uses)			
Operating transfers in.....	(1,368,119)	—	(1,368,119)
Revenue and Other Financing Sources			
Over (Under) Expenditures and Other			
Financing Uses	(1,471,266)	(36,692)	(1,507,958)
Fund Balance - Beginning of Year,			
as Restated (Note 17)	4,184,018	207,244	4,391,262
Fund Balance - End of Year	\$ 2,712,752	\$ 170,552	\$ 2,883,304

See accompanying notes to the financial statements.

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2011

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Restricted - unallocated interest	\$ 472	\$ —	\$ —	\$ 472
Donations (new middle school)	766	—	—	766
Activity revenue	—	103,601	103,601	—
Musicals.....	416	—	170	246
Band uniforms	26,785	20,776	45,081	2,480
Cheerleading	8,671	12,745	9,004	12,412
Drill team	3,999	928	910	4,017
Basketball.....	7,345	1,747	7,596	1,496
State-sponsored tournament.....	2,937	14,045	12,086	4,896
Football	21,008	12,496	31,650	1,854
Baseball.....	—	16,460	14,568	1,892
Boys Track.....	7,631	2,472	3,387	6,716
Boys Cross Country.....	—	677	677	—
Boys Soccer	1,376	3,648	3,133	1,891
Boys Tennis.....	—	5,206	3,315	1,891
Boys Golf.....	—	2,619	728	1,891
Boys Swimming.....	—	13,622	11,731	1,891
Wrestling.....	4,533	1,117	4,970	680
Girls Basketball.....	2,514	5,451	7,965	—
Volleyball	6	10,699	10,705	—
Softball.....	—	11,085	9,194	1,891
Girls Track	2,470	4,167	3,482	3,155
Girls Cross Country	—	400	400	—
Girls Soccer.....	—	4,909	3,018	1,891
Girls Tennis	—	6,571	2,788	3,783
Girls Swimming.....	—	11,980	11,980	—
Athletic Miscellaneous.....	17,777	4,911	15,305	7,383
Lift-A-Thon Fund.....	792	2,000	529	2,263
Class Day	482	250	—	732
FCS	181	40	—	221
FFA.....	4,741	14,948	15,433	4,256
FFA Monsanto Grant.....	3,385	—	2,131	1,254
Foreign Language Club.....	10,810	5,655	7,522	8,943
Chess Club.....	159	—	—	159
Thespian Club	1,122	4,471	3,332	2,261
Peer Helpers.....	1,511	646	—	2,157

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2011

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Pottery Club.....	\$ 50	\$ —	\$ —	\$ 50
Key Club.....	668	862	508	1,022
Quiz Bowl.....	400	—	400	—
Helping Hands.....	100	—	100	—
National Honor Society.....	1,375	389	1,136	628
Student Council.....	8,043	3,313	5,319	6,037
Student Congress.....	958	5,236	2,944	3,250
SADD High School.....	229	—	—	229
SADD Middle School.....	412	—	—	412
HS Year Book.....	6,897	6,284	9,660	3,521
Spotlight.....	39	8,038	5,157	2,920
Middle School Year Book.....	1,870	7,128	6,388	2,610
Recycle.....	67	—	—	67
Drama.....	15,325	4,658	891	19,092
Speech.....	3,122	1,631	1,710	3,043
Prom.....	6,392	7,995	8,448	5,939
Intramurals.....	1,022	—	—	1,022
Elementary Library.....	574	—	—	574
Bryant Hatchery Fund.....	16	—	16	—
Franklin Jump for Heart.....	255	—	—	255
Franklin Box Top.....	3,115	1,026	1,179	2,962
Franklin Fit for Life.....	3,000	—	—	3,000
Elementary Honor Choir.....	67	—	—	67
Lincoln Activity.....	2,557	6,678	1,794	7,441
Lowell Box Tops.....	2,314	—	2,314	—
Lowell PTA/Activity.....	1,101	—	1,101	—
Lowell Other Revenue.....	1,924	—	1,924	—
Page Activity.....	1,144	1,150	532	1,762
Construction.....	990	450	70	1,370
Advance Speech.....	375	—	375	—
MS Art IA Soybean Assoc.....	851	—	—	851
Futures.....	1,141	—	549	592
MS Vocal Music.....	101	24,280	13,961	10,420
MS Band.....	9,010	6,594	9,040	6,564
HS Instrumental Music.....	3,008	13,289	10,750	5,547
Orchestra.....	4,695	1,825	2,556	3,964

Schedule of Changes in Individual Student Activity Accounts ---

Year Ended June 30, 2011

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Iowa Games	\$ 631	\$ —	\$ —	\$ 631
Red Cross Fund	4,063	—	—	4,063
HS Vocal Music	2,769	21,650	20,404	4,015
MS Outdoor Working Lab	1,305	2,088	2,475	918
HS Library	3,854	—	225	3,629
Operations and Maintenance Pop	69	—	—	69
MS Principal Miscellaneous	4,475	649	1,686	3,438
HS Principal Miscellaneous	2,244	1,120	2,844	520
Tag Fundraising	986	7,835	4,007	4,814
TSA High School	1,298	1,458	1,518	1,238
TSA Middle School	487	4,731	3,396	1,822
	<u>\$ 237,277</u>	<u>\$ 440,699</u>	<u>\$ 471,768</u>	<u>\$ 206,208</u>

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

Years Ended June 30, 2011, 2010, 2009, 2008 and 2007

	2011	2010	2009	2008	2007
Revenue					
Local Sources					
Local taxes	\$ 10,392,406	\$ 9,873,755	\$ 9,362,981	\$ 9,001,345	\$ 9,053,675
Tuition.....	1,237,200	1,267,917	1,874,517	1,835,631	1,855,694
Other	700,085	577,374	765,287	1,013,826	1,300,917
Intermediate source	—	—	7,854	—	—
State sources	12,165,691	10,728,876	11,915,314	12,158,734	11,336,321
Federal sources	<u>1,514,165</u>	<u>1,915,190</u>	<u>915,172</u>	<u>606,531</u>	<u>865,332</u>
Total	<u>\$ 26,009,547</u>	<u>\$ 24,363,112</u>	<u>\$ 24,841,125</u>	<u>\$ 24,616,067</u>	<u>\$ 24,411,939</u>
Expenditures					
Instruction					
Regular instruction	\$ 9,540,488	\$ 9,502,631	\$ 9,880,039	\$ 10,297,855	\$ 10,019,156
Special instruction	4,405,512	4,050,504	3,936,127	3,723,582	3,797,441
Other instruction.....	1,259,385	1,197,671	1,154,045	1,368,168	1,303,120
Support Services					
Student services.....	678,451	694,099	676,150	773,552	746,397
Instructional staff services.....	545,149	443,099	453,867	554,688	714,945
Administration services	2,290,327	2,334,310	2,336,282	2,305,447	2,314,547
Operation and maintenance of plant services	2,400,908	2,202,933	2,056,123	2,262,848	2,058,498
Transportation services.....	670,145	551,206	481,531	556,578	495,398
Other Expenditures					
Facilities acquisition and construction	2,044,080	6,223,372	735,377	429,108	1,277,941
Long-Term Debt					
Principal.....	790,000	545,000	755,000	725,000	695,000
Interest and other charges	831,644	633,442	457,960	481,030	503,380
AEA flowthrough	<u>848,939</u>	<u>839,131</u>	<u>774,946</u>	<u>758,746</u>	<u>722,385</u>
Total	<u>\$ 26,305,028</u>	<u>\$ 29,217,398</u>	<u>\$ 23,697,447</u>	<u>\$ 24,236,602</u>	<u>\$ 24,648,208</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2011	\$ 53,637
National School Lunch Program.....	10.555*	FY 2011	401,582
Special Milk Program for Children	10.556	FY 2011	<u>137</u>
Total U.S. Department of Agriculture.....			<u>455,356</u>
U.S. Department of Education			
Pass-Through From Iowa Department of Education			
Title 1 Grants to Local Educational Agencies	84.010**	FY 2011	<u>257,777</u>
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389**	FY 2011	<u>111,824</u>
Special Education - Grants to States	84.027***	FY 2011	<u>9,235</u>
ARRA - Special Education Grants to States, Recovery Act	84.391***	FY 2011	<u>95,681</u>
Career and Technical Education - Basic Grants to States	84.048	FY 2011	<u>17,452</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 2011	<u>207</u>
Special Education - Preschool Grants	84.173	FY 2011	<u>3,703</u>
Improving Teacher Quality State Grants.....	84.367	FY 2011	<u>89,318</u>
Grants for State Assessment and Related Activities	84.369	FY 2011	<u>14,125</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.....	84.394	FY 2011	<u>199,944</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Service Fund	84.397	FY 2011	<u>100,526</u>
Education Jobs Fund	84.410	FY 2011	<u>61,715</u>
Pass-Through From Heartland Area Education Agency			
Special Education - Grants to States	84.027***	FY 2011	<u>120,461</u>
Total Pass-Through U.S. Department of Education			<u>1,081,968</u>
Department of Homeland Security			
Disaster Grants - Public Assistance			
Presidentially Declared Disasters	97.036		<u>20,955</u>
Total			<u>\$ 1,558,279</u>

* Includes \$38,378 of noncash awards

** Total expenditures for CFDA numbers 84.010 and 84.389 were \$369,601

*** Total expenditures for CFDA numbers 84.027 and 84.391 were \$225,377

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2011

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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

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

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

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, 2011, and the discretely presented component unit as of and for the year ended December 31, 2010, which collectively comprise the Boone Community School District's basic financial statements, and have issued our report thereon dated January 16, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 11-II-IC-1 and 11-II-IC-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 11-II-IC-3 to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, 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, 2011 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

Mason City, Iowa
January 16, 2012

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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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 could have a direct and material effect on each of the Boone Community School District's major federal programs for the year ended June 30, 2011. 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, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-III-IC-1 and 11-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. 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
January 16, 2012

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
Title 1 Programs	
84.027	Title 1 Grants to Local Educational Agencies
84.391	ARRA - Title 1 Grants to Local Educational Agencies
State Fiscal Stabilization Cluster	
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.397	ARRA - State Fiscal Stabilization - Government Service Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

Instances of Noncompliance:

There were no reported instances of noncompliance.

Internal Control Deficiencies

Two prior year deficiencies have not been resolved and have been repeated below as items 11-II-IC-1 and 11-II-IC-2.

11-II-IC-1 Segregation of Duties

Prior Year Finding and Recommendation - 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.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

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

Auditor's Conclusion - Response accepted.

11-II-IC-2 Internal Controls

Prior Year Finding and Recommendation - The Business Manager makes journal entries as needed for such things as to correct errors in data entry. These entries are not consistently reviewed by a second person within the accounting department.

A qualified person should review the journal entries made by the Business Manager to ensure they are properly supported and appropriate.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

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

Year Ended June 30, 2011

11-II-IC-3 Student Activity Funds

Finding - There are several individual student activity funds that do not appear to meet the definition of clubs or activities that are financed partly or entirely by student fund-raising activities.

Auditor's Recommendation - We recommend the development of a policy defining appropriate student activity funds and then the review of all individual student activity funds for compliance to the policy.

District's Response - The District will develop a policy or guidelines and also review all current student activity funds to determine they are appropriately classified.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance:

There were no reported instances of noncompliance.

Internal Control Deficiencies

Prior year deficiencies have not been resolved and have been repeated below as items 11-III-IC-1 and 11-III-IC-2.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

11-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 11-II-IC-1 for additional information.

11-III-IC-2 Internal Controls Over Federal Revenue and Expenditures

Prior Year Finding and Recommendation - 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.

The District should establish proper internal control procedures to ensure that grant requirements are properly met.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

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.

11-III-IC-3 Documentation of Free/Reduced-Price Eligibility

Finding - During our audit, we found that the District did not clearly indicate changes in eligibility for free/reduced-price meals that occurred during the year.

Auditor's Recommendation - We recommend the development of procedures that ensure all changes in students' eligibility is properly documented, including obtaining new applications to support changes.

District's Response - The District will review and establish procedures to obtain appropriate documentation of any eligibility status changes for students.

Auditor's Conclusion - Response accepted.

11-III-IC-4 Verification of Free and Reduced Meal Price Applications

Finding - The District is required to verify the free and reduced price eligibility of households selected from a sample of approved applications on file as of October 31. The District indicated a random sampling method was used to select 3% of the total approved applications on file. We noted the following two items related to the District's verification process:

1. The District did not select a full 3% of the applications. The District should have sampled ten applications but only selected nine.
2. One of the selected applications was incorrectly marked as free price eligibility both when the initial application was processed and when it was reviewed in the verification process.

Auditor's Recommendation - The District should establish procedures to sample the appropriate number of applications and to establish a process for a second employee to review the calculations and testing done for this report prior to the submission. Additionally, the District should review the process of determining free/reduced meal status to ensure this is properly calculated for all students.

District's Response - The District will review the current procedures and establish a process to sample the appropriate number of applications and to review the report prior to submission. We will determine if there are additional procedures needed to appropriately assign meal status for students.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting

- 11-IV-A Certified Budget** - Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts.
- 11-IV-B Questionable Expenditures** - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-IV-C Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- 11-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.
- 11-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.
- 11-IV-F Board Minutes** - No business transactions were found that we believe should have been approved in the Board minutes but were not.
- 11-IV-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 11-IV-H Supplementary Weighting**
- Finding** - We noted that the supplementary weighting was incorrectly calculated due to the incorrect use of projected enrollment instead of actual enrollment.
- Auditor's Recommendation** - We recommend that the District review calculations and the process of determining supplementary weighting.
- District's Response** - We have reviewed and corrected the process for the calculation of the supplementary weighting. This had been a manual process which is now part of the Project Easier and Certified Enrollment and is now tracked through the use of Power School.
- Auditor's Conclusion** - Response accepted.
- 11-IV-I 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.
- 11-IV-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
- 11-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

Year Ended June 30, 2011

11-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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,184,018
Revenue/Transfers In		
Sales tax revenue.....	\$ 1,532,130	
Other local revenue	<u>163,167</u>	<u>1,695,297</u>
		5,879,315
Expenditures/Transfers Out		
School infrastructure construction	\$ 1,657,860	
Equipment	140,584	
Transfer to Other Funds		
Debt service fund.....	<u>1,368,119</u>	<u>3,166,563</u>
Ending Balance		<u>\$ 2,712,752</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$1.96702	\$887,674

11-IV-M Revenue Bonds - The District is in compliance with reserve account and sinking account requirements.