

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

Table of Contents

Board of Education and School District Officials	1
Independent Auditor’s Report	2-3
Management's Discussion and Analysis (MD&A)	4-14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	15
Statement of Activities.....	16
Governmental Fund Financial Statements	
Balance Sheet.....	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets ...	18
Statement of Revenue, Expenditures and Changes in Fund Balances.....	19
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Activities.....	20
Proprietary Fund Financial Statements	
Statement of Net Assets	21
Statement of Revenue, Expenses and Changes in Net Assets	22
Statement of Cash Flows	23
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Notes to the Financial Statements	26-40
Required Supplementary Information	
Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds	41
Schedule of Funding Progress for the Retiree Health Plan	42
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	43
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	44
Capital Projects Accounts	
Combining Balance Sheet.....	45
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	46
Schedule of Changes in Special Revenue Funds, Individual Student Activity Accounts	47-49
Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis).....	50
Schedule of Expenditures of Federal Awards	51-52
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	
	53-54
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	
	55-56
Schedule of Findings and Questioned Costs	57-63

Introductory Section



Board of Education and School District Officials

As of June 30, 2012

Name	Title	Term Expires
Board of Education		
(Before September, 2011 Election)		
Dr. Jeffrey Anderson	President	2011
Kirk Leeds	Vice President	2013
Shiloh Burke	Board Member	2011
Brad O'Neal	Board Member	2011
Dan Tungesvik	Board Member	2013
(After September, 2011 Election)		
Dr. Jeffrey Anderson	President	2015
Kirk Leeds	Vice President	2013
Brad O'Neal	Board Member	2015
Dan Tungesvik	Board Member	2013
Jan Westrum	Board Member	2015
School Officials		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Boone Community School District
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District, Boone, Iowa, as of and for the year ended June 30, 2012. Those statements along with the discretely presented component unit 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 opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of Boone Educational Endowment Foundation (BEEF) have not been audited. BEEF's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100% of the assets, net assets, revenue and expenses of the District's aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had BEEF's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District as of June 30, 2012 and the discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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, the budgetary comparison information and the 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on the financial statements for the years ended June 30, 2007 through June 30, 2011 and a qualified opinion on the financial statements for the year ended June 30, 2006. The supplementary information included on pages 43 through 52, including the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 11, 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenue decreased 0.8% from \$22,631,257 in fiscal year 2011 to \$22,446,106 in fiscal year 2012 while General Fund expenditures increased 3.2% from \$21,197,915 in fiscal year 2011 to \$21,879,758 in fiscal year 2012. This resulted in an increase of \$566,348 in the District's General Fund balances, including nonspendable, restricted and unassigned fund balances from \$4,428,988 in fiscal year 2011 to \$4,995,336 in fiscal year 2012.
- The decrease in General Fund revenue was primarily attributable to a decrease in property tax revenues and the expiration of the Federal American Recovery and Reinvestment Act (ARRA) funds.
- The increase in General Fund expenditures can be attributed to an increase in the negotiated salaries and benefits in addition to an increase in most spending categories including tuition payments to other districts and colleges, textbooks, professional development, and transportation and maintenance costs.
- The District issued School Infrastructure Sales, Services and Use Tax Revenue Bonds in the amount of \$5,780,000 in December 2011 and General Obligation School Bonds in the amount of \$10,000,000 in May 2012. Both were issued at historically low interest rates ranging between 2% and 3.55%. The proceeds will be used to complete the \$21,000,000 project to renovate, repair and add a classroom addition to the existing high school as previously approved by the voters.

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 the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts. 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.

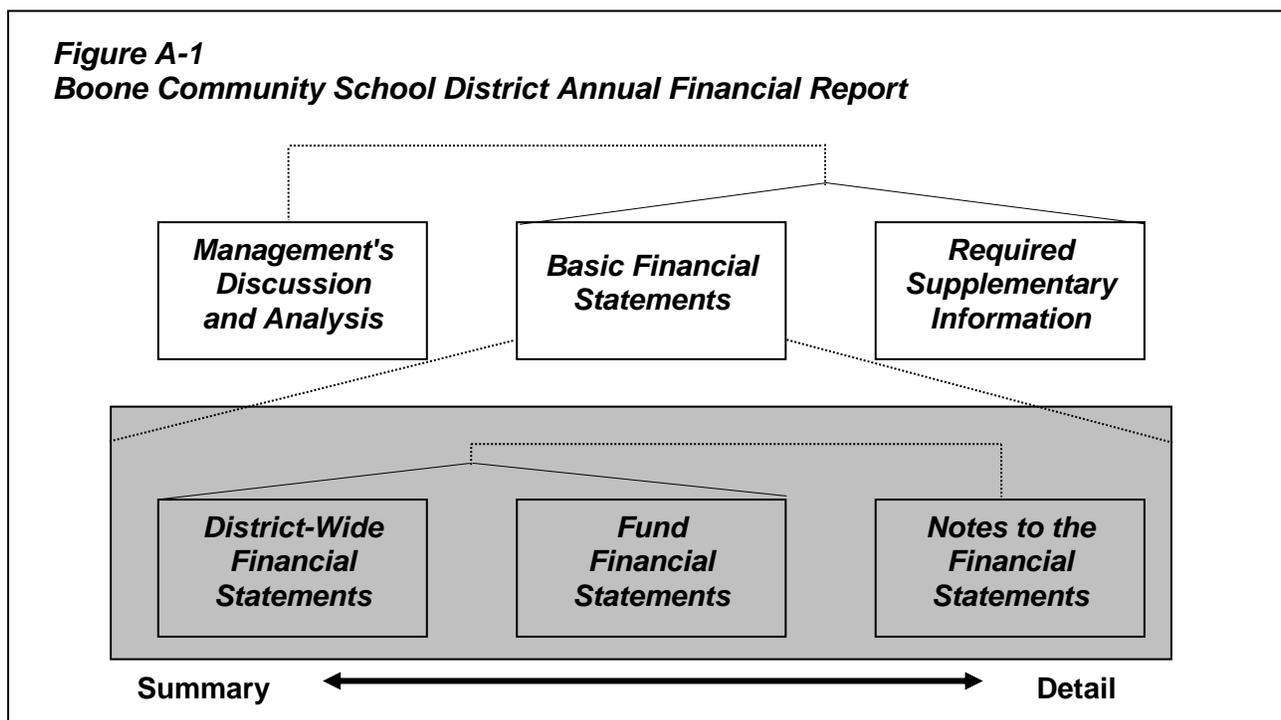


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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. All of the current year's revenue 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 %
FY12	425,063,630	(3,956,154)	0.10 %

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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and Other Assets	34,884	19,180	328	231	35,212	19,411	81.4 %
Capital Assets	25,442	25,475	162	186	25,604	25,661	(0.2)%
Total Assets	60,326	44,655	490	417	60,816	45,072	34.9 %
Long-Term Liabilities	31,795	17,513	-	-	31,795	17,513	81.6 %
Other Liabilities	11,634	10,587	14	15	11,648	10,602	9.9 %
Total Liabilities	43,429	28,100	14	15	43,443	28,115	54.5 %
Net Assets							
Invested in capital assets, net of related debt	7,803	7,391	162	186	7,965	7,577	5.1 %
Restricted	3,794	3,862	-	-	3,794	3,862	(1.8)%
Unrestricted	5,300	5,302	314	216	5,614	5,518	1.7 %
Total Net Assets	16,897	16,555	476	402	17,373	16,957	2.5 %

The District’s combined net assets increased 2.5%, or approximately \$416,000, 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 \$68,000, or 1.8%, over the prior year. The decrease was primarily a result of using Statewide Sales, Services & Use Tax fund balance for the demolition of two old elementary buildings that had previously been closed.

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 \$96,000, or 1.7% entirely due to an increase in the net assets of the Nutrition 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, 2012 as compared to the year ended June 30, 2011.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenue							
Program Revenue							
Charges for services	1,439	1,624	485	499	1,924	2,123	(9.4)%
Operating grants and contributions	3,245	4,000	497	464	3,742	4,464	(16.2)%
General Revenue							
Property taxes	7,910	8,860	-	-	7,910	8,860	(10.7)%
Statewide sales, services and use tax	1,687	1,532	-	-	1,687	1,532	10.1 %
Unrestricted state grants	11,028	9,828	-	-	11,028	9,828	12.2 %
Unrestricted investment earnings	10	13	-	-	10	13	(23.1)%
Other	155	238	-	-	155	238	(34.9)%
Total Revenue	25,474	26,095	982	963	26,456	27,058	(2.2)%
Program Expenses							
Instruction	16,439	16,217	-	-	16,439	16,217	1.4 %
Support services	6,995	6,535	-	-	6,995	6,535	7.0 %
Non-instructional programs	-	-	908	905	908	905	0.3 %
Other expenses	1,698	1,687	-	-	1,698	1,687	0.7 %
Total Expenses	25,132	24,439	908	905	26,040	25,344	2.7 %
Change in Net Assets	342	1,656	74	58	416	1,714	(75.7)%
Net Assets - Beginning of Year	16,555	14,899	402	344	16,957	15,243	11.2 %
Net Assets - End of Year	16,897	16,555	476	402	17,373	16,957	2.5 %

Property taxes and unrestricted state grants accounted for 74.3% of the District’s total revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business-type activities.

The District’s total revenue was approximately \$26.4 million, of which \$25.4 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 2.2% decrease in revenue primarily due to a decrease in property tax revenue and a 2.7% increase in expenses primarily related to increases in negotiated salaries and benefits.

Governmental Activities

Revenue for governmental activities were \$25,474,276 and expenses were \$25,131,710 for the year ended June 30, 2012.

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, 2012 and 2011.

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

	2012	2011	2012	2011
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
Instruction	\$ 16,439	\$ 16,217	\$ 12,581	\$ 11,511
Support Services	6,995	6,535	6,958	6,465
Other Expenses	1,698	1,687	909	839
Total	\$ 25,132	\$ 24,439	\$ 20,448	\$ 18,815

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,439,159.
- Federal and state governments and users of programs subsidized certain programs with grants and contributions totaling \$3,244,613.
- The net cost of governmental activities was financed with \$9,596,478 in property and other taxes and \$11,028,126 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2012 was \$982,027, representing a 2% decrease over the prior year, while expenses totaled \$908,155, a 0.4% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of this activity are comprised of charges for service and federal and state reimbursements.

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 \$24,056,887, well above last year's ending fund balances of \$8,406,534. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2012 is due to approximately \$15 million of unexpended bond proceeds received during the fiscal year.

Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$566,348 at the end of fiscal year 2012 to \$4,995,336. This increase was due to an increase in state aid receipts and revenues exceeding expenditures.
- The Capital Projects Fund balance increased from \$3,031,396 at the end of fiscal year 2011 to \$17,976,869 at the end of fiscal year 2012. This was due to the receipt of approximately \$15 million of bond proceeds that will be used for the high school construction expenditures during the next three fiscal years.
- The District collects statewide sales, services and use tax revenue and is required to account for this revenue in a separate fund. The District's share of revenue from the statewide sales, services and use tax was \$1,686,832 for fiscal year 2012.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$402,457 to \$476,329 at June 30, 2012.

BUDGETARY HIGHLIGHTS

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

The District's total revenue was \$1,242,998 less than total budgeted revenue, a variance of less than 5% which was primarily due to receiving less local source revenue such as tuition revenue from other districts and state source revenue such as AEA Flowthrough.

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, 2012, the District had invested \$25.6 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 \$795,249.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	531	-	-	-	531	-	100.0 %
Buildings	23,792	24,286	-	-	23,792	24,286	(2.0)%
Furniture and Equipment	800	869	162	186	962	1,055	(8.8)%
Total	25,442	25,474	162	186	25,604	25,660	(0.2)%

LONG-TERM DEBT

At June 30, 2012, the District had a total of \$33,239,000 in general obligation and revenue bonds and other long-term obligations outstanding. This represents an increase of 81.2% from the prior year total of \$18,345,000. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General Obligation Bonds	18,900	9,530	98.3%
Revenue Bonds	14,175	8,705	62.8%
Net OPEB Liability	164	110	49.1%
Total	33,239	18,345	81.2%

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 unspent and unrestricted authorized budget balance, or the remaining legal spending authority at the end of a fiscal year, decreased from \$3,265,407 at June 30, 2011 to \$3,233,678 at June 30, 2012. 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 decreased from 13.12% at June 30, 2011 to 12.59% at June 30, 2012. As the increase in expenditures continues to outpace the increase in new money, this balance will continue to decline unless managed very closely.
- The District's General Fund balance increased during fiscal year 2012. The General Fund unassigned fund balance increased from \$4,157,862 at June 30, 2011 to \$4,580,151 at June 30, 2012. The District's targeted solvency ratio at June 30 is a minimum of 15% of that year's revenue. The solvency ratio at June 30, 2012 is 20.41%. This balance will decline during the upcoming years due to the inability to assess a cash reserve levy.
- The allowable growth increase for fiscal year 2013 is 2% and fiscal year 2014 has not yet been set. The certified enrollment figures reported in October, 2012, which will be the basis for the District's state funding for fiscal year 2014, decreased by 10 students, or 0.5% less than the current year. The District's five-year enrollment trend is down 2.5% 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 was depleted during fiscal year 2012.
- The prospect of Federal sequestration to address the federal budget deficit remains. This would result in nonexempt, nondefense discretionary programs being reduced by an estimated 9.1% in 2013 which would have an impact on Title and Special Education funding.

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

As of June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
Assets				
Cash and cash equivalents	\$ 25,527,102	\$ 314,349	\$ 25,841,451	\$ 415,388
Receivables				
Property Taxes, Net of Allowance				
Current year delinquent	74,107	—	74,107	—
Succeeding year	7,209,155	—	7,209,155	—
Other	10,000	—	10,000	—
Due from other governments	1,652,919	—	1,652,919	—
Inventories and prepaid expenses	36,124	13,854	49,978	—
Unamortized underwriter's discount	375,003	—	375,003	—
Capital assets, net of accumulated depreciation	<u>25,441,518</u>	<u>162,196</u>	<u>25,603,714</u>	<u>—</u>
Total Assets	<u>\$ 60,325,928</u>	<u>\$ 490,399</u>	<u>\$ 60,816,327</u>	<u>\$ 415,388</u>
Liabilities				
Accounts payable	\$ 391,885	\$ 645	\$ 392,530	\$ —
Salaries and benefits payable	1,995,529	13,425	2,008,954	—
Accrued interest payable	379,203	—	379,203	—
Deferred Revenue				
Other	7,861	—	7,861	—
Succeeding year property taxes	7,209,155	—	7,209,155	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds payable	1,335,000	—	1,335,000	—
Revenue bonds payable	315,000	—	315,000	—
Portion Due After One Year				
General obligation bonds payable	17,565,000	—	17,565,000	—
Revenue bonds payable	13,860,000	—	13,860,000	—
Unamortized premium on bonds payable	206,090	—	206,090	—
Net OPEB liability	<u>164,000</u>	<u>—</u>	<u>164,000</u>	<u>—</u>
Total Liabilities	<u>43,428,723</u>	<u>14,070</u>	<u>43,442,793</u>	<u>—</u>
Net Assets				
Invested in capital assets, net of related debt	7,802,987	162,196	7,965,183	—
Restricted for				
Categorical funding	379,061	—	379,061	—
Management levy purposes	278,270	—	278,270	—
Physical plant and equipment	315,628	—	315,628	—
Student activities	197,965	—	197,965	—
Statewide sales, services and use tax	2,393,685	—	2,393,685	—
Debt service	229,244	—	229,244	—
Unrestricted	<u>5,300,365</u>	<u>314,133</u>	<u>5,614,498</u>	<u>—</u>
Total Net Assets	<u>16,897,205</u>	<u>476,329</u>	<u>17,373,534</u>	<u>415,388</u>
Total Liabilities and Net Assets	<u>\$ 60,325,928</u>	<u>\$ 490,399</u>	<u>\$ 60,816,327</u>	<u>\$ 415,388</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Assets			Component Unit Boone Educational Endowment Foundation
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business- Type Activities	Total	
Governmental Activities							
Instruction							
Regular instruction	\$ 10,733,097	\$ 970,500	\$ 1,810,936	\$ (7,951,661)	\$ —	\$ (7,951,661)	\$ —
Special instruction	4,417,781	229,069	494,254	(3,694,458)	—	(3,694,458)	—
Other instruction	1,288,124	212,577	140,789	(934,758)	—	(934,758)	—
Total Instruction	<u>16,439,002</u>	<u>1,412,146</u>	<u>2,445,979</u>	<u>(12,580,877)</u>	<u>—</u>	<u>(12,580,877)</u>	<u>—</u>
Support Services							
Student services	799,422	—	—	(799,422)	—	(799,422)	—
Instructional staff services	560,048	—	—	(560,048)	—	(560,048)	—
Administration services	2,515,524	—	—	(2,515,524)	—	(2,515,524)	—
Operation and maintenance of plant services	2,489,695	20,635	—	(2,469,060)	—	(2,469,060)	—
Transportation services	630,103	6,378	9,476	(614,249)	—	(614,249)	—
Total Support Services	<u>6,994,792</u>	<u>27,013</u>	<u>9,476</u>	<u>(6,958,303)</u>	<u>—</u>	<u>(6,958,303)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest and fiscal charges	902,981	—	—	(902,981)	—	(902,981)	—
AEA flow through	789,158	—	789,158	—	—	—	—
Depreciation - unallocated	5,777	—	—	(5,777)	—	(5,777)	—
Total Other Expenditures	<u>1,697,916</u>	<u>—</u>	<u>789,158</u>	<u>(908,758)</u>	<u>—</u>	<u>(908,758)</u>	<u>—</u>
Total Governmental Activities	25,131,710	1,439,159	3,244,613	(20,447,938)	—	(20,447,938)	—
Business-Type Activities							
Noninstructional Programs							
Nutrition services	<u>908,155</u>	<u>485,070</u>	<u>496,918</u>	<u>—</u>	<u>73,833</u>	<u>73,833</u>	<u>—</u>
Total	\$ 26,039,865	\$ 1,924,229	\$ 3,741,531	(20,447,938)	73,833	(20,374,105)	—
Component Unit							
School Foundation	<u>\$ 15,942</u>	<u>\$ —</u>	<u>\$ 18,487</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,545</u>
General Revenue							
Property Taxes Levied for							
General purposes				7,068,604	—	7,068,604	—
Capital outlay				771,725	—	771,725	—
Debt service				69,317	—	69,317	—
Statewide sales, services and use tax				1,686,832	—	1,686,832	—
Unrestricted state grants				11,028,126	—	11,028,126	—
Unrestricted investment earnings				10,263	39	10,302	29,603
Other				155,637	—	155,637	—
Total General Revenue				20,790,504	39	20,790,543	29,603
Change in Net Assets				342,566	73,872	416,438	32,148
Net Assets - Beginning of Year				16,554,639	402,457	16,957,096	383,240
Net Assets - End of Year				\$ 16,897,205	\$ 476,329	\$ 17,373,534	\$ 415,388

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2012

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Assets					
Cash and pooled investments.....	\$ 6,800,847	\$ 607,722	\$ 17,544,945	\$ 535,172	\$ 25,488,686
Receivables					
Property Taxes, Net					
Current year delinquent.....	61,172	719	8,009	4,207	74,107
Succeeding year	4,801,818	1,014,285	761,685	631,367	7,209,155
Accounts.....	—	—	—	10,000	10,000
Due from other governments.....	1,129,667	6	523,246	—	1,652,919
Prepaid expenses	36,124	—	—	—	36,124
Total Assets	<u>\$ 12,829,628</u>	<u>\$ 1,622,732</u>	<u>\$ 18,837,885</u>	<u>\$ 1,180,746</u>	<u>\$ 34,470,991</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 212,975	\$ —	\$ 99,331	\$ 73,144	\$ 385,450
Salaries and benefits payable.....	1,995,529	—	—	—	1,995,529
Deferred Revenue					
Succeeding year property taxes.....	4,801,818	1,014,285	761,685	631,367	7,209,155
Other.....	823,970	—	—	—	823,970
Total Liabilities	<u>7,834,292</u>	<u>1,014,285</u>	<u>861,016</u>	<u>704,511</u>	<u>10,414,104</u>
Fund Balances					
Nonspendable					
Prepaid expenditure	36,124	—	—	—	36,124
Restricted for					
Categorical funding	379,061	—	—	—	379,061
Debt service.....	—	608,447	—	—	608,447
Management levy purposes	—	—	—	278,270	278,270
Student activities	—	—	—	197,965	197,965
School infrastructure	—	—	17,661,241	—	17,661,241
Physical plant and equipment	—	—	315,628	—	315,628
Unassigned.....	4,580,151	—	—	—	4,580,151
Total Fund Balances	<u>4,995,336</u>	<u>608,447</u>	<u>17,976,869</u>	<u>476,235</u>	<u>24,056,887</u>
Total Liabilities and Fund Balances	<u>\$ 12,829,628</u>	<u>\$ 1,622,732</u>	<u>\$ 18,837,885</u>	<u>\$ 1,180,746</u>	<u>\$ 34,470,991</u>

See accompanying notes to the financial statements.

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

As of June 30, 2012

Total Fund Balances for Governmental Funds (Page 17)....		\$ 24,056,887
 <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.....		25,441,518
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.....		24,120
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds		823,970
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.....		(379,203)
Long-term liabilities, including general obligation bonds, revenue bonds 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.....	\$ (14,175,000)	
General obligation bonds payable	(18,900,000)	
Other postemployment benefits.....	(164,000)	
Unamortized premium on bonds payable	(206,090)	
Unamortized underwriter's discount.....	<u>375,003</u>	<u>(33,070,087)</u>
 Net Assets of Governmental Activities (Page 15)		 <u>\$ 16,897,205</u>

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

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
Revenue					
Local Sources					
Local taxes	\$ 6,669,059	\$ 69,317	\$ 2,458,557	\$ 399,544	\$ 9,596,477
Tuition.....	1,111,715	—	—	—	1,111,715
Other.....	136,737	5,920	542	390,121	533,320
State sources	13,339,042	—	—	—	13,339,042
Federal sources	1,189,553	—	—	—	1,189,553
Total Revenue	<u>22,446,106</u>	<u>75,237</u>	<u>2,459,099</u>	<u>789,665</u>	<u>25,770,107</u>
Expenditures					
Instruction					
Regular instruction	9,390,837	—	290,048	142,934	9,823,819
Special instruction	4,409,852	—	—	—	4,409,852
Other instruction	914,916	—	—	356,285	1,271,201
Total Instruction	<u>14,715,605</u>	<u>—</u>	<u>290,048</u>	<u>499,219</u>	<u>15,504,872</u>
Support Services					
Student services	797,286	—	—	—	797,286
Instructional staff services	558,828	—	—	—	558,828
Administration services	2,456,903	—	27,234	6,156	2,490,293
Operation and maintenance of plant services	2,002,648	—	292,515	186,007	2,481,170
Transportation services	559,330	—	—	8,635	567,965
Total Support Services	<u>6,374,995</u>	<u>—</u>	<u>319,749</u>	<u>200,798</u>	<u>6,895,542</u>
Other Expenditures					
Facilities acquisition and construction	—	—	963,873	—	963,873
Long-Term Debt					
Principal.....	—	940,000	—	—	940,000
Interest and fiscal charges	—	732,375	52,605	—	784,980
AEA flowthrough	789,158	—	—	—	789,158
Total Other Expenditures.....	<u>789,158</u>	<u>1,672,375</u>	<u>1,016,478</u>	<u>—</u>	<u>3,478,011</u>
Total Expenditures	<u>21,879,758</u>	<u>1,672,375</u>	<u>1,626,275</u>	<u>700,017</u>	<u>25,878,425</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>566,348</u>	<u>(1,597,138)</u>	<u>832,824</u>	<u>89,648</u>	<u>(108,318)</u>
Other Financing Sources (Uses)					
General obligation bonds issued.....	—	—	10,000,000	—	10,000,000
Revenue bonds issued	—	—	5,780,000	—	5,780,000
Bond premium.....	—	—	112,759	—	112,759
Bond underwriter's discount.....	—	—	(211,321)	—	(211,321)
Proceeds from sale of property.....	—	—	77,233	—	77,233
Operating transfers in.....	—	1,646,022	—	—	1,646,022
Operating transfers out	—	—	(1,646,022)	—	(1,646,022)
Total Other Financing Sources (Uses)	<u>—</u>	<u>1,646,022</u>	<u>14,112,649</u>	<u>—</u>	<u>15,758,671</u>
Net Change in Fund Balances	566,348	48,884	14,945,473	89,648	15,650,353
Fund Balance - Beginning of Year, as Restated (Note 16)	4,428,988	559,563	3,031,396	386,587	8,406,534
Fund Balance - End of Year	<u>\$ 4,995,336</u>	<u>\$ 608,447</u>	<u>\$ 17,976,869</u>	<u>\$ 476,235</u>	<u>\$ 24,056,887</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, 2012

Change in Fund Balances - Total Governmental Funds (Page 19) \$ 15,650,353

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.....	\$ 737,902	
Depreciation expense.....	<u>(771,011)</u>	(33,109)

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.....	\$ (15,780,000)	
Long-term debt principal repaid.....	940,000	
Bond underwriter's discount	211,321	
Bond premium.....	(112,759)	
Amortization of discounts and premiums	(8,108)	
Increase in accrued interest	<u>(109,893)</u>	(14,859,439)

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

Prior period	\$ (1,197,034)	
Current period	<u>823,970</u>	(373,064)

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.

11,825

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

Other postemployment benefits.....		<u>(54,000)</u>
------------------------------------	--	-----------------

Change in Net Assets of Governmental Activities (Page 16) \$ 342,566

Statement of Net Assets - Proprietary Funds

As of June 30, 2012

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Assets		
Cash and cash equivalents.....	\$ 314,349	\$ 38,416
Inventories.....	13,854	—
Capital assets, net of accumulated depreciation.....	<u>162,196</u>	<u>—</u>
Total Assets	<u>\$ 490,399</u>	<u>\$ 38,416</u>
Liabilities		
Accounts payable	\$ 645	\$ 6,435
Salaries and benefits payable.....	13,425	—
Deferred revenue	<u>—</u>	<u>7,861</u>
Total Liabilities	<u>14,070</u>	<u>14,296</u>
Net Assets		
Invested in capital assets.....	162,196	—
Unrestricted	<u>314,133</u>	<u>24,120</u>
Total Net Assets	<u>476,329</u>	<u>24,120</u>
Total Liabilities and Net Assets	<u>\$ 490,399</u>	<u>\$ 38,416</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2012

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Operating Revenue		
Charges for service	\$ 485,070	\$ —
Self-insurance contributions	<u>—</u>	<u>89,880</u>
Total Operating Revenue	<u>485,070</u>	<u>89,880</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	350,553	—
Purchased services.....	3,516	—
Supplies	529,848	—
Depreciation.....	24,238	—
Self-insurance claims and fees.....	<u>—</u>	<u>78,056</u>
Total Operating Expenses	<u>908,155</u>	<u>78,056</u>
Income (Loss) From Operations	<u>(423,085)</u>	<u>11,824</u>
Nonoperating Revenue		
State sources	8,892	—
Federal sources.....	488,026	—
Interest on investments	<u>39</u>	<u>1</u>
Total Nonoperating Revenue	<u>496,957</u>	<u>1</u>
Increase in Net Assets	73,872	11,825
Net Assets - Beginning of Year.....	<u>402,457</u>	<u>12,295</u>
Net Assets - End of Year	<u>\$ 476,329</u>	<u>\$ 24,120</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2012

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 490,036	\$ —
Cash received from assessments made to other funds	—	90,012
Cash payments to employees for services	(350,234)	—
Cash payments to suppliers for goods and services	(479,722)	—
Cash payments for insurance claims	<u>—</u>	<u>(76,328)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(339,920)</u>	<u>13,684</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	8,892	—
Federal grants received.....	<u>442,001</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>450,893</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>39</u>	<u>1</u>
Net Increase in Cash and Cash Equivalents.....	111,012	13,685
Cash and Cash Equivalents at Beginning of Year	<u>203,337</u>	<u>24,731</u>
Cash and Cash Equivalents at End of Year	<u>\$ 314,349</u>	<u>\$ 38,416</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (423,085)	\$ 11,824
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	51,286	—
Depreciation	24,238	—
Changes in Assets and Liabilities		
Decrease in inventories	3,218	—
Increase in salaries and benefits payable	319	—
Increase (decrease) in accounts payable	(862)	1,728
Increase in deferred revenue.....	—	132
Decrease in due from other funds.....	<u>4,966</u>	<u>—</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (339,920)</u>	<u>\$ 13,684</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2012, the District received \$46,025 of federal commodities.

Statement of Fiduciary Net Assets - Fiduciary Fund

As of June 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, Cash Equivalents and Pooled Investments	<u>\$ 162,642</u>
Liabilities	
Accounts payable	\$ 223
Net Assets	
Reserved for scholarships	<u>162,419</u>
Total Liabilities and Net Assets	<u>\$ 162,642</u>

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

Year Ended June 30, 2012

	<u>Private Purpose Trust Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	\$ 17,929
Interest income	<u>111</u>
Total Additions	18,040
 Deductions	
Instruction	
Regular Instruction	
Scholarships awarded	<u>9,867</u>
 Change in Net Assets	 8,173
Net Assets - Beginning of Year	<u>154,246</u>
 Net Assets - End of Year	 <u>\$ 162,419</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 accounting principles generally accepted in the United States of America as prescribed by the Governmental 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 Foundation's fiscal year end is December 31, 2011. The financial information presented is as of June 30, 2012.

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.

Basis of Presentation

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 from 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

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 attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those 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 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District'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, 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.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

Assets, Liabilities and Fund Equity

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

Property 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 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due From Other Governments

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

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. At June 30, 2012, total inventories included government commodities valued at \$5,991 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 market 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, 2012. 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/amortized using the straight-line method 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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Salaries and Benefits Payable

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

Deferred Revenue

Although certain revenue is measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property taxes receivable and other receivables not collected within 60 days after year end.

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

Long-Term Liabilities

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

Fund Equity

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

Nonspendable - Amounts which cannot be spent because they are in nonspendable form.

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 the preceding classifications.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted or its General Fund unspent authorized budget.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Government Obligations Portfolio of \$22,548,196. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Credit Risk

The District's Private Purpose Trust Fund investments consist of \$8,438 in certificates of deposits with maturities ranging from August, 2012 to November, 2012.

(3) Interfund Loan Agreements

The District approved an interfund loan during the year ended June 30, 2012, between the General Fund and the Capital Projects - Physical Plant and Equipment Levy account as follows:

Lending Fund	Borrowing Fund	Original Loan	Repayment	Outstanding June 30, 2012
General Fund	Capital Projects - Physical Plant and Equipment Levy	\$ 200,000	\$ (200,000)	\$ —

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 1,646,022</u>

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 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>—</u>	<u>530,521</u>	<u>—</u>	<u>530,521</u>
Total Capital Assets Not Being Depreciated.....	<u>319,432</u>	<u>530,521</u>	<u>—</u>	<u>849,953</u>
Capital Assets Being Depreciated				
Buildings and improvements	35,923,362	122,168	2,021,779	34,023,751
Furniture and equipment	<u>2,028,690</u>	<u>85,213</u>	<u>—</u>	<u>2,113,903</u>
Total Capital Assets Being Depreciated.....	<u>37,952,052</u>	<u>207,381</u>	<u>2,021,779</u>	<u>36,137,654</u>
Less Accumulated Depreciation for				
Buildings and improvements	11,637,614	616,371	2,021,779	10,232,206
Furniture and equipment	<u>1,159,243</u>	<u>154,640</u>	<u>—</u>	<u>1,313,883</u>
Total Accumulated Depreciation...	<u>12,796,857</u>	<u>771,011</u>	<u>2,021,779</u>	<u>11,546,089</u>
Net Total Capital Assets Being Depreciated.....	<u>25,155,195</u>	<u>(563,630)</u>	<u>—</u>	<u>24,591,565</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 25,474,627</u>	<u>\$ (33,109)</u>	<u>\$ —</u>	<u>\$ 25,441,518</u>
Business-Type Activities				
Furniture and equipment	\$ 368,167	\$ —	\$ —	\$ 368,167
Less accumulated depreciation	<u>181,733</u>	<u>24,238</u>	<u>—</u>	<u>205,971</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 186,434</u>	<u>\$ (24,238)</u>	<u>\$ —</u>	<u>\$ 162,196</u>

Depreciation expense was charged as follows:

Governmental Activities		
Instruction		
Regular		\$ 658,360
Other.....		14,662
Support Services		
Administration		18,470
Operation and maintenance of plant services.....		12,991
Transportation.....		60,751
Subtotal.....		<u>765,234</u>
Unallocated		5,777
Total Governmental Activities Depreciation Expense		<u>\$ 771,011</u>
Business-Type Activities		
Food Service Operations.....		<u>\$ 24,238</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds.....	\$ 9,530,000	\$ 10,000,000	\$ 630,000	\$ 18,900,000	\$ 1,335,000
Revenue bonds	8,705,000	5,780,000	310,000	14,175,000	315,000
Net OPEB liability ...	<u>110,000</u>	<u>54,000</u>	<u>—</u>	<u>164,000</u>	<u>—</u>
Total	<u>\$ 18,345,000</u>	<u>\$ 15,834,000</u>	<u>\$ 940,000</u>	<u>\$ 33,239,000</u>	<u>\$ 1,650,000</u>

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

	<u>Bond Issue of December 22, 2009</u>			<u>Bond Issue of March 1, 2011</u>		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.50 - 4.00%	\$ —	\$ 193,850	1.00 - 3.45%	\$ 650,000	\$ 81,858
2014	3.50 - 4.00	—	193,850	1.00 - 3.45	650,000	75,358
2015	3.50 - 4.00	—	193,850	1.00 - 3.45	655,000	68,208
2016	3.50 - 4.00	545,000	193,850	1.00 - 3.45	125,000	58,710
2017	3.50 - 4.00	565,000	174,775	1.00 - 3.45	125,000	56,460
2018-2022	3.50 - 4.00	3,165,000	531,200	1.00 - 3.45	665,000	235,895
2023-2027	3.50 - 4.00	710,000	28,400	1.00 - 3.45	1,045,000	66,740
2028-2032		—	—		—	—
Total		<u>\$ 4,985,000</u>	<u>\$ 1,509,775</u>		<u>\$ 3,915,000</u>	<u>\$ 643,229</u>

	<u>Bond Issue of May 1, 2012</u>			<u>Total</u>	
	Interest Rates	Principal	Interest	Principal	Interest
2013	2.00 - 3.25%	\$ 685,000	\$ 286,988	\$ 1,335,000	\$ 562,696
2014	2.00 - 3.25	100,000	273,288	750,000	542,496
2015	2.00 - 3.25	100,000	271,288	755,000	533,346
2016	2.00 - 3.25	100,000	269,288	770,000	521,848
2017	2.00 - 3.25	100,000	267,288	790,000	498,523
2018-2022	2.00 - 3.25	500,000	1,306,190	4,330,000	2,073,285
2023-2027	2.00 - 3.25	2,900,000	1,183,940	4,655,000	1,279,080
2028-2032	2.00 - 3.25	5,515,000	557,240	5,515,000	557,240
Total		<u>\$ 10,000,000</u>	<u>\$ 4,415,510</u>	<u>\$ 18,900,000</u>	<u>\$ 6,568,514</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

June 30,	Bond Issue of August 1, 2009 - Series 2009			Bond Issue of December 1, 2011 - Series 2011			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2013	4.00%	\$ 315,000	\$ 385,140	2.00%	\$ —	\$ 166,567	\$ 315,000	\$ 551,707
2014	4.00	370,000	371,440	2.00	280,000	150,953	650,000	522,393
2015	4.00	365,000	356,740	2.00	290,000	145,273	655,000	502,013
2016	4.00	370,000	342,040	2.00	295,000	139,423	665,000	481,463
2017	4.00	380,000	327,040	2.00	300,000	133,473	680,000	460,513
2018-2022	4.00 - 4.63	2,055,000	1,388,356	2.00 - 2.40	1,595,000	567,511	3,650,000	1,955,867
2023-2027	4.75 - 5.00	2,610,000	848,877	2.60 - 3.25	1,800,000	351,450	4,410,000	1,200,327
2028-2032	5.30	1,930,000	157,145	3.35 - 3.55	1,220,000	64,850	3,150,000	221,995
Total.....		<u>\$ 8,395,000</u>	<u>\$ 4,176,778</u>		<u>\$ 5,780,000</u>	<u>\$ 1,719,500</u>	<u>\$ 14,175,000</u>	<u>\$ 5,896,278</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. The total principal and interest remaining to be paid on the bonds is \$12,571,778. For the current year, principal of \$310,000 and interest of \$391,440 was paid on the bonds.

The District has also pledged future statewide sales, services and use tax revenue to repay the \$5,780,000 of bonds issued in December, 2011. The bonds were issued for the purpose of financing a portion of the costs associated with the additions and renovations at Boone High School. The bonds are payable solely from proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. For the current year, no principal was paid. An interest payment of \$89,701 was paid during the current year. Total principal and interest remaining to be paid on the bonds is \$7,499,500.

Total statewide sales, services and use tax revenue was \$1,686,832.

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

- (a) For the Series 2009 bonds, \$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.

For the Series 2011 bonds, \$438,173 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.

Notes to the Financial Statements

(6) Long-Term Liabilities

- (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, 2012.

(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, 2012.

Year Ending June 30,	
2013	\$ 37,080
2014	37,080
2015	<u>18,540</u>
Total	<u>\$ 92,700</u>

Total rental expenditures for the year ended June 30, 2012 for all operating leases, except those with terms of a month or less that were not renewed, was \$37,565.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$1,138,700, \$957,168 and \$915,530 respectively, equal to the required contributions for each year.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees and retirees and their spouses. There are 211 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with 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.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for June 30, 2012, 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>(2,000)</u>
Annual OPEB Cost	137,000
Contributions made	<u>(83,000)</u>
Increase in Net OPEB Obligation	54,000
Net OPEB Obligation - Beginning of Year.....	<u>110,000</u>
Net OPEB Obligation - End of Year	<u>\$ 164,000</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, 2012.

For the year ended June 30, 2012, the District contributed \$83,000 to the medical plan. Plan members eligible for benefits contributed \$0 or 0% of the premium costs.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 147,100	94.5%	\$ 40,100
June 30, 2011	137,000	48.9	110,000
June 30, 2012	137,000	60.6	164,000

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period of July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,397,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,397,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,902,000, and the ratio of the UAAL to the covered payroll was 11.7%. As of June 30, 2012, there were no trust fund assets.

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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 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. An inflation rate of 0% is assumed for the purpose of this computation.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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 4.5% 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 \$789,158 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into a contract with an architect totaling approximately \$1,400,000 for the additions to and remodeling of the high school. As of June 30, 2012, costs of \$468,281 had been incurred against the contract. The balance of \$932,267 remaining at June 30, 2012 will be paid as work on the project progresses.

The District has entered into a contract totaling \$68,338 for the remodeling of the high school gymnasium. As of June 30, 2012, costs of \$50,000 had been incurred against the contract. The balance of \$18,338 remaining at June 30, 2012 will be paid as work on the project progresses.

(13) 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, 2012 was approximately \$2,065,000.

Notes to the Financial Statements

(14) 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, 2012:

Estimated claims incurred but not reported - June 30, 2011	\$ 4,707
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2012.....	79,784
Claims paid during the year ended June 30, 2012.....	<u>78,056</u>
Estimated Claims Incurred But Not Reported - June 30, 2012	<u>\$ 6,435</u>

(15) Subsequent Events

Management has evaluated events through December 11, 2012, the date which the financial statements were available to be issued. In November, the District awarded contracts relating to the additions to and remodeling of the high school of approximately \$19,000,000.

(16) Prior Period Adjustment

Capital Projects Fund - Statewide Sales, Services and Use Tax expenditures for the year ended June 30, 2011 included items totaling \$148,092 that were costs related to the asbestos abatement of the demolition of the two older elementary school buildings and should have been recognized by the General Fund. The District was granted modified allowable growth from the School Budget Review Committee in March, 2012 for these costs.

The effect of the restatement on beginning fund balance was as follows:

	General Fund	Capital Projects - Statewide Sales, Services and Use Tax
Balances - June 30, 2011, as previously reported	\$ 4,577,080	\$ 2,712,752
Reallocation of expenditures	<u>(148,092)</u>	<u>148,092</u>
Balances - July 1, 2011, as Restated.....	<u>\$ 4,428,988</u>	<u>\$ 2,860,844</u>

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2012

	Governmental Fund Types - Actual	Proprietary Fund Type - Actual	Total	Original and Final Budget	Over (Under) Budget
Revenue					
Local sources	\$ 11,241,512	\$ 485,109	\$ 11,726,621	\$ 12,714,545	\$ (987,924)
State sources	13,339,042	8,892	13,347,934	13,600,587	(252,653)
Federal sources	1,189,553	488,026	1,677,579	1,680,000	(2,421)
Total Revenue	<u>25,770,107</u>	<u>982,027</u>	<u>26,752,134</u>	<u>27,995,132</u>	<u>(1,242,998)</u>
Expenditures/Expenses					
Instruction.....	15,504,872	—	15,504,872	16,429,000	(924,128)
Support services	6,895,542	—	6,895,542	7,862,000	(966,458)
Noninstructional programs	—	908,155	908,155	1,248,335	(340,180)
Other expenditures.....	3,478,011	—	3,478,011	5,529,300	(2,051,289)
Total Expenditures/Expenses	<u>25,878,425</u>	<u>908,155</u>	<u>26,786,580</u>	<u>31,068,635</u>	<u>(4,282,055)</u>
Revenue Over (Under)					
Expenditures/Expenses	(108,318)	73,872	(34,446)	(3,073,503)	3,039,057
Other Financing Sources					
(Uses) (Net)	<u>15,758,671</u>	<u>—</u>	<u>15,758,671</u>	<u>—</u>	<u>15,758,671</u>
Revenue and Other Financing					
Sources Over (Under)					
Expenditures/Expenses and					
Other Financing Uses	15,650,353	73,872	15,724,225	(3,073,503)	<u>\$ 18,797,728</u>
Balance - Beginning of Year	8,406,534	402,457	8,808,991	7,084,369	
Balance - End of Year	<u>\$ 24,056,887</u>	<u>\$ 476,329</u>	<u>\$ 24,533,216</u>	<u>\$ 4,010,866</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, 2012, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

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
2012	7-1-10	—	1,397,000	1,397,000	0	11,902,000	11.7

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2012

	<u>Special Revenue</u>		Total Nonmajor Govern- mental Funds
	<u>Management Levy</u>	<u>Student Activity</u>	
Assets			
Cash and pooled investments	\$ 276,744	\$ 258,428	\$ 535,172
Receivables			
Property Taxes, Net			
Current year delinquent	4,207	—	4,207
Succeeding year	631,367	—	631,367
Accounts.....	—	10,000	10,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 912,318</u>	<u>\$ 268,428</u>	<u>\$ 1,180,746</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 2,681	\$ 70,463	\$ 73,144
Deferred Revenue			
Succeeding year property taxes	631,367	—	631,367
Total Liabilities.....	<u>634,048</u>	<u>70,463</u>	<u>704,511</u>
Fund Balances			
Restricted for			
Management levy purposes.....	278,270	—	278,270
Student activities	—	197,965	197,965
Total Fund Balances.....	<u>278,270</u>	<u>197,965</u>	<u>476,235</u>
Total Liabilities and Fund Balances	<u>\$ 912,318</u>	<u>\$ 268,428</u>	<u>\$ 1,180,746</u>

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

Year Ended June 30, 2012

	Special Revenue		Total Nonmajor Govern- mental Funds
	Management Levy	Student Activity	
Assets			
Cash and Revenue			
Local Sources			
Local taxes	\$ 399,544	\$ —	\$ 399,544
Other	<u>25,849</u>	<u>364,272</u>	<u>390,121</u>
Total Revenue	<u>425,393</u>	<u>364,272</u>	<u>789,665</u>
Expenditures			
Instruction			
Regular instruction.....	142,934	—	142,934
Other instruction	<u>—</u>	<u>356,285</u>	<u>356,285</u>
Total Instruction	<u>142,934</u>	<u>356,285</u>	<u>499,219</u>
Support Services			
Administration services.....	5,739	417	6,156
Operation and maintenance of plant services	170,194	15,813	186,007
Transportation services	<u>8,635</u>	<u>—</u>	<u>8,635</u>
Total Support Services	<u>184,568</u>	<u>16,230</u>	<u>200,798</u>
Total Expenditures	<u>327,502</u>	<u>372,515</u>	<u>700,017</u>
Net Change in Fund Balances	97,891	(8,243)	89,648
Fund Balance - Beginning of Year	<u>180,379</u>	<u>206,208</u>	<u>386,587</u>
Fund Balance - End of Year	<u>\$ 278,270</u>	<u>\$ 197,965</u>	<u>\$ 476,235</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Assets				
Cash and pooled investments	\$ 7,290,013	\$ 354,777	\$ 9,900,155	\$ 17,544,945
Receivables				
Property Taxes, Net				
Current year delinquent	—	8,009	—	8,009
Succeeding year	—	761,685	—	761,685
Due from other governments	<u>523,183</u>	<u>63</u>	<u>—</u>	<u>523,246</u>
Total Assets	<u>\$ 7,813,196</u>	<u>\$ 1,124,534</u>	<u>\$ 9,900,155</u>	<u>\$ 18,837,885</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 52,110	\$ 47,221	\$ —	\$ 99,331
Deferred Revenue				
Succeeding year property taxes ..	<u>—</u>	<u>761,685</u>	<u>—</u>	<u>761,685</u>
Total Liabilities	<u>52,110</u>	<u>808,906</u>	<u>—</u>	<u>861,016</u>
Fund Balances				
Restricted for				
School infrastructure	7,761,086	—	9,900,155	17,661,241
Physical plant and equipment	<u>—</u>	<u>315,628</u>	<u>—</u>	<u>315,628</u>
Total Fund Balances	<u>7,761,086</u>	<u>315,628</u>	<u>9,900,155</u>	<u>17,976,869</u>
Total Liabilities and Fund Balances	<u>\$ 7,813,196</u>	<u>\$ 1,124,534</u>	<u>\$ 9,900,155</u>	<u>\$ 18,837,885</u>

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

Year Ended June 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Revenue				
Local Sources				
Local taxes	\$ 1,686,832	\$ 771,725	\$ —	\$ 2,458,557
Other	419	43	80	542
Total Revenue	<u>1,687,251</u>	<u>771,768</u>	<u>80</u>	<u>2,459,099</u>
Expenditures				
Instruction				
Regular instruction.....	—	290,048	—	290,048
Support Services				
Administration services.....	—	27,234	—	27,234
Operation and maintenance of plant services.....	23,930	268,585	—	292,515
Total Support Services.....	<u>23,930</u>	<u>295,819</u>	<u>—</u>	<u>319,749</u>
Other Expenditures				
Facilities acquisition and construction	845,815	118,058	—	963,873
Long-Term Debt				
Interest and other charges	52,605	—	—	52,605
Total Other Expenditures	<u>898,420</u>	<u>118,058</u>	<u>—</u>	<u>1,016,478</u>
Total Expenditures.....	<u>922,350</u>	<u>703,925</u>	<u>—</u>	<u>1,626,275</u>
Excess of Revenue Over Expenditures.....	<u>764,901</u>	<u>67,843</u>	<u>80</u>	<u>832,824</u>
Other Financing Sources (Uses)				
General obligation bonds issued.....	—	—	10,000,000	10,000,000
Revenue bonds issued.....	5,780,000	—	—	5,780,000
Bond premium	50,493	—	62,266	112,759
Bond underwriter's discount	(49,130)	—	(162,191)	(211,321)
Proceeds from sale of property.....	—	77,233	—	77,233
Operating transfers out.....	<u>(1,646,022)</u>	<u>—</u>	<u>—</u>	<u>(1,646,022)</u>
Total Other Financing Sources (Uses).....	<u>4,135,341</u>	<u>77,233</u>	<u>9,900,075</u>	<u>14,112,649</u>
Net Change in Fund Balances	4,900,242	145,076	9,900,155	14,945,473
Fund Balance - Beginning of Year, as Restated (Note 16).....	<u>2,860,844</u>	<u>170,552</u>	<u>—</u>	<u>3,031,396</u>
Fund Balance - End of Year	<u>\$ 7,761,086</u>	<u>\$ 315,628</u>	<u>\$ 9,900,155</u>	<u>\$ 17,976,869</u>

Schedule of Changes in Special Revenue Fund, Individual Student Activity Accounts

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Restricted - unallocated interest	\$ 472	\$ 90	\$ 472	\$ 90
Donations (new middle school).....	766	—	766	—
Activity revenue	—	103,875	103,875	—
Musicals	246	—	—	246
Band uniforms	2,480	3,510	5,168	822
Cheerleading	12,412	6,871	6,471	12,812
Drill team	4,017	8,217	1,296	10,938
Basketball.....	1,496	3,550	4,280	766
State-sponsored tournament	4,896	19,004	18,292	5,608
Football	1,854	24,978	7,807	19,025
Rinehart NFL fund balance.....	—	10,000	8,542	1,458
Baseball	1,892	2,169	4,061	—
Boys Track	6,716	55	3,249	3,522
Boys Cross Country.....	—	375	375	—
Boys Soccer	1,891	1,647	3,538	—
Boys Tennis.....	1,891	1,174	3,065	—
Boys Golf.....	1,891	—	737	1,154
Boys Swimming.....	1,891	1,772	2,351	1,312
Wrestling	680	1,229	1,909	—
Volleyball.....	—	4,165	4,165	—
Softball	1,891	2,010	3,901	—
Girls Track.....	3,155	3,940	6,001	1,094
Girls Soccer.....	1,891	—	1,891	—
Girls Tennis	3,783	1,060	1,672	3,171
Girls Swimming	—	2,077	2,017	60
Athletic Miscellaneous	7,383	8,041	15,424	—
Lift-A-Thon Fund	2,263	650	2,590	323
Pride Club Fund	—	2,472	1,584	888
Class Day.....	732	—	732	—
FCS.....	221	95	—	316
FFA	4,256	21,735	25,386	605
FFA Big Event	—	994	994	—

Schedule of Changes in Special Revenue Fund, Individual Student Activity Accounts

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
FFA Monsanto Grant	\$ 1,254	\$ —	\$ 1,254	\$ —
Foreign Language Club	8,943	165	833	8,275
Chess Club.....	159	—	—	159
Thespian Club	2,261	7,415	7,833	1,843
Peer Helpers	2,157	556	49	2,664
Pottery Club.....	50	—	50	—
Key Club.....	1,022	216	1,238	—
National Honor Society.....	628	430	850	208
Student Council	6,037	13,295	5,164	14,168
Student Congress.....	3,250	4,126	3,226	4,150
SADD High School	229	—	—	229
SADD Middle School	412	—	—	412
HS Year Book.....	3,521	2,660	3,524	2,657
Spotlight	2,920	1,926	4,846	—
Middle School Year Book	2,610	7,055	6,553	3,112
Recycle	67	—	67	—
Drama	19,092	2,958	2,333	19,717
Speech.....	3,043	—	1,740	1,303
Prom	5,939	10,860	7,902	8,897
Intramurals	1,022	—	1,022	—
Elementary Library	574	—	—	574
Franklin Jump for Heart	255	—	255	—
Franklin Box Top	2,962	3,082	—	6,044
Franklin Fit for Life.....	3,000	—	3,000	—
Elementary Honor Choir	67	—	67	—
Lincoln Activity.....	7,441	1,152	3,383	5,210
Page Activity.....	1,762	1,051	353	2,460
Construction	1,370	1,410	1,538	1,242
MS Art IA Soybean Assoc.	851	—	567	284
Futures.....	592	65	64	593
MS Vocal Music.....	10,420	2,520	7,203	5,737
MS Band	6,564	971	2,023	5,512

Schedule of Changes in Special Revenue Fund, Individual Student Activity Accounts

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
HS Instrumental Music	\$ 5,547	\$ 5,621	\$ 9,945	\$ 1,223
Orchestra	3,964	12,873	—	16,837
Iowa Games	631	—	—	631
Red Cross Fund	4,063	—	1,714	2,349
HS Vocal Music	4,015	11,633	10,096	5,552
MS Outdoor Working Lab	918	2,000	1,879	1,039
HS Library	3,629	—	—	3,629
Operations and Maintenance Pop	69	—	69	—
MS Principal Miscellaneous	3,438	1,018	4,456	—
HS Principal Miscellaneous	520	780	1,300	—
Tag Fundraising	4,814	325	25	5,114
TSA High School	1,238	1,853	3,091	—
TSA Middle School	1,822	3,616	3,507	1,931
Score Board Donations	—	40,000	40,000	—
	<u>\$ 206,208</u>	<u>\$ 377,387</u>	<u>\$ 385,630</u>	<u>\$ 197,965</u>

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

Years Ended June 30, 2012, 2011, 2010, 2009, 2008 and 2007

	2012	2011	2010	2009	2008	2007
Revenue						
Local Sources						
Local taxes	\$ 9,596,477	\$ 10,392,406	\$ 9,873,755	\$ 9,362,981	\$ 9,001,345	\$ 9,053,675
Tuition.....	1,111,715	1,237,200	1,267,917	1,874,517	1,835,631	1,855,694
Other	533,320	700,085	577,374	765,287	1,013,826	1,300,917
Intermediate source.....	—	—	—	7,854	—	—
State sources	13,339,042	12,165,691	10,728,876	11,915,314	12,158,734	11,336,321
Federal sources.....	<u>1,189,553</u>	<u>1,514,165</u>	<u>1,915,190</u>	<u>915,172</u>	<u>606,531</u>	<u>865,332</u>
Total.....	<u>\$ 25,770,107</u>	<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.....	\$ 9,823,819	\$ 9,540,488	\$ 9,502,631	\$ 9,880,039	\$ 10,297,855	\$ 10,019,156
Special instruction	4,409,852	4,405,512	4,050,504	3,936,127	3,723,582	3,797,441
Other instruction	1,271,201	1,259,385	1,197,671	1,154,045	1,368,168	1,303,120
Support Services						
Student services	797,286	678,451	694,099	676,150	773,552	746,397
Instructional staff services	558,828	545,149	443,099	453,867	554,688	714,945
Administration services.....	2,490,293	2,290,327	2,334,310	2,336,282	2,305,447	2,314,547
Operation and maintenance of plant services.....	2,481,170	2,400,908	2,202,933	2,056,123	2,262,848	2,058,498
Transportation services	567,965	670,145	551,206	481,531	556,578	495,398
Other Expenditures						
Facilities acquisition and construction	963,873	2,044,080	6,223,372	735,377	429,108	1,277,941
Long-Term Debt						
Principal.....	940,000	790,000	545,000	755,000	725,000	695,000
Interest and other charges....	784,980	831,644	633,442	457,960	481,030	503,380
AEA flowthrough.....	<u>789,158</u>	<u>848,939</u>	<u>839,131</u>	<u>774,946</u>	<u>758,746</u>	<u>722,385</u>
Total.....	<u>\$ 25,878,425</u>	<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, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2012	\$ 62,743
National School Lunch Program	10.555*	FY 2012	425,283
Special Milk Program for Children	10.556	FY 2012	<u>611</u>
Total U.S. Department of Agriculture.....			<u>488,637</u>
U.S. Department of Education			
Pass-Through From Heartland Area Education Agency			
Special Education - Grants to States.....	84.027**	FY 2012	<u>120,797</u>
Pass-Through From Iowa Department of Education			
Title 1 Grants to Local Educational Agencies	84.010	FY 2012	<u>279,723</u>
Special Education - Grants to States.....	84.027**	FY 2012	<u>10,032</u>
Career and Technical Education - Basic Grants to States	84.048	FY 2012	<u>25,636</u>
Improving Teacher Quality State Grants	84.367	FY 2012	<u>83,100</u>
Grants for State Assessment and Related Activities	84.369	FY 2012	<u>14,066</u>
Education Jobs Fund	84.410	FY 2012	<u>372,867</u>
Total Pass-Through From Iowa Department of Education			<u>785,424</u>
Total U.S. Department of Education			<u>906,221</u>
Total			<u>\$ 1,394,858</u>

* Includes \$46,025 of noncash awards

** Total expenditures for CFDA number 84.027 was \$130,829

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2012

Note 1. 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.

Note 2. Subrecipients

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters 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, 2012. Those statements along with the unaudited financial statements of the discretely presented component unit as of June 30, 2012, collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 11, 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, except as discussed in the independent auditor's report.

Internal Control Over Financial Reporting

The management of the Boone Community School District is responsible for establishing and maintaining effective 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.

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 12-II-R-1, 12-II-R-2 and 12-II-R-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boone Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 11, 2012

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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 Boone Community School District's compliance with the types of compliance requirements described in the 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, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 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 Boone Community School 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 and other deficiencies we consider to be significant deficiencies.

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 or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-III-R-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-III-R-2 to be a significant deficiency.

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
December 11, 2012

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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: Qualified

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
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part II: Findings Related to the 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 12-II-R-1 and 12-II-R-2.

12-II-R-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.

12-II-R-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, 2012

12-II-R-3 Travel Expenses - During our audit, we tested ten travel expenses, three of which were not supported by proper documentation.

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

District's Response - The District will do so.

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 item 12-III-R-1.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

12-III-R-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 12-II-R-1 for additional information.

12-III-R-2 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 that the District is required to sample exactly 3% of the applications. The District should have sampled five applications, but instead sampled ten.

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.

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.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting

12-IV-A Certified Budget - Expenditures for the year ended June 30, 2012 did not exceed the certified budget amounts.

12-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, except for those discussed in finding 12-IV-C below.

12-IV-C Travel Expense - We tested ten individual travel expense transactions. For three of those items, we found that there was a lack of documentation to show that the expense met the public purpose requirement as defined in an Attorney General's opinion dated April 25, 1979. No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

Auditor's Recommendation - We recommend that proper supporting documentation for all travel disbursements be required before they are paid.

District's Response - The District will do so.

Auditor's Conclusion - Response accepted.

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

12-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.

12-IV-F Board Minutes

Finding - No business transactions were found that we believe should have been approved in the Board minutes but were not. However, there was one month in which the District did not publish the expenses in the newspaper as required in Chapters 279.35 and 279.36 of the Code of Iowa.

Auditor's Recommendation - We recommend that the District review and submit the proper expense report to the local newspaper each month as required.

District's Response - The District will do so.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

12-IV-G Certified Enrollment

Finding - The District's supporting documentation did not agree to the Project Easier and Certified Enrollment (PEACE) report submitted to the Iowa Department of Education. The certified enrollment report is prepared from documentation maintained by the District to support the basic enrollment certified to the Iowa Department of Education in October, 2011. The variances resulted in an increase of certified students by 0.78 students.

Auditor's Recommendation - The District should ensure that their system reconciles to the PEACE system for the number of students being reported within the certified enrollment. The Iowa Department of Management and Iowa Department of Education should be notified of the variances.

District's Response and Corrective Action Plan - The District will contact the Iowa Department of Education and Iowa Department of Management notifying them of the above changes. The District will continue to monitor supporting information and reconciliation of data submitted to the Iowa Department of Education.

Auditor's Conclusion - Response accepted.

12-IV-H Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

12-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.

12-IV-J Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

12-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, 2012

- 12-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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated		\$ 2,860,844
Revenue		
Sales tax revenue	\$ 1,686,832	
Other local revenue.....	419	
Sale of long-term debt.....	<u>5,830,493</u>	7,517,744
Expenditures/Transfers Out		
School infrastructure construction	\$ 845,815	
Equipment.....	23,930	
Bond discount and issuance fees.....	101,735	
Transfer to debt service fund	<u>1,646,022</u>	<u>2,617,502</u>
Ending Balance		<u>\$ 7,761,086</u>

For the year ended June 30, 2012, 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.....	\$ 1.85368	\$ 858,250

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

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2012

12-IV-N Student Activity Fund

Finding - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should have been used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The Red Cross Fund and High School Library Fund accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Auditor's Recommendation - The District should review and reclassify these accounts to the appropriate fund.

District's Response - We have reviewed the activity in the accounts and will reclassify the accounts to the General Fund.

Auditor's Conclusion - Response accepted.

12-IV-O Capital Projects

Finding - Contractors are required to provide performance and payment bonds prior to beginning projects per Iowa Code Chapter 573. During our audit, we found one contractor did not provide the bond to the District.

Auditor's Recommendation - The District should implement a policy to verify construction bonds are received before making any payments to a contractor.

District's Response - We will implement proper policy.

Auditor's Conclusion - Response accepted.