

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

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Introductory Section



Board of Education and School District Officials

As of June 30, 2013

Name	Title	Term Expires
Board of Education		
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

Report on the Financial Statements

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 Boone Community School District, Boone, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements because the financial information related to the assets, liabilities, net position, revenue and expenses of the discretely presented component unit were not made available to the District.

Adverse Opinion on the Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Discretely Presented Component Unit paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District as of June 30, 2013, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 15 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (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 years ended June 30, 2012 and 2006. The supplementary information included on pages 44 through 51, 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 basic 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2013 on our consideration of Boone Community School District's internal control over financial reporting and on 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 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
October 24, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenue decreased 4% from \$22,446,106 in fiscal year 2012 to \$21,555,301 in fiscal year 2013 while General Fund expenditures increased 1.2% from \$21,879,758 in fiscal year 2012 to \$22,141,433 in fiscal year 2013. This resulted in a decrease of \$586,132 in the District's General Fund balances, including nonspendable, restricted and unassigned fund balances from \$4,995,336 in fiscal year 2012 to \$4,409,204 in fiscal year 2013.
- The decrease in General Fund revenue was primarily attributable to a decrease in property tax revenue.
- The increase in General Fund expenditures can be attributed mainly to the increase in negotiated salaries and benefits.
- The District issued General Obligation School Bonds in the amount of \$6,125,000 in May 2013. They were issued at historically low interest rates ranging between 2% and 3%. 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 position and a statement of activities. These provide information about the activities of Boone Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Boone Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Boone Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to 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, as well as presenting 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.

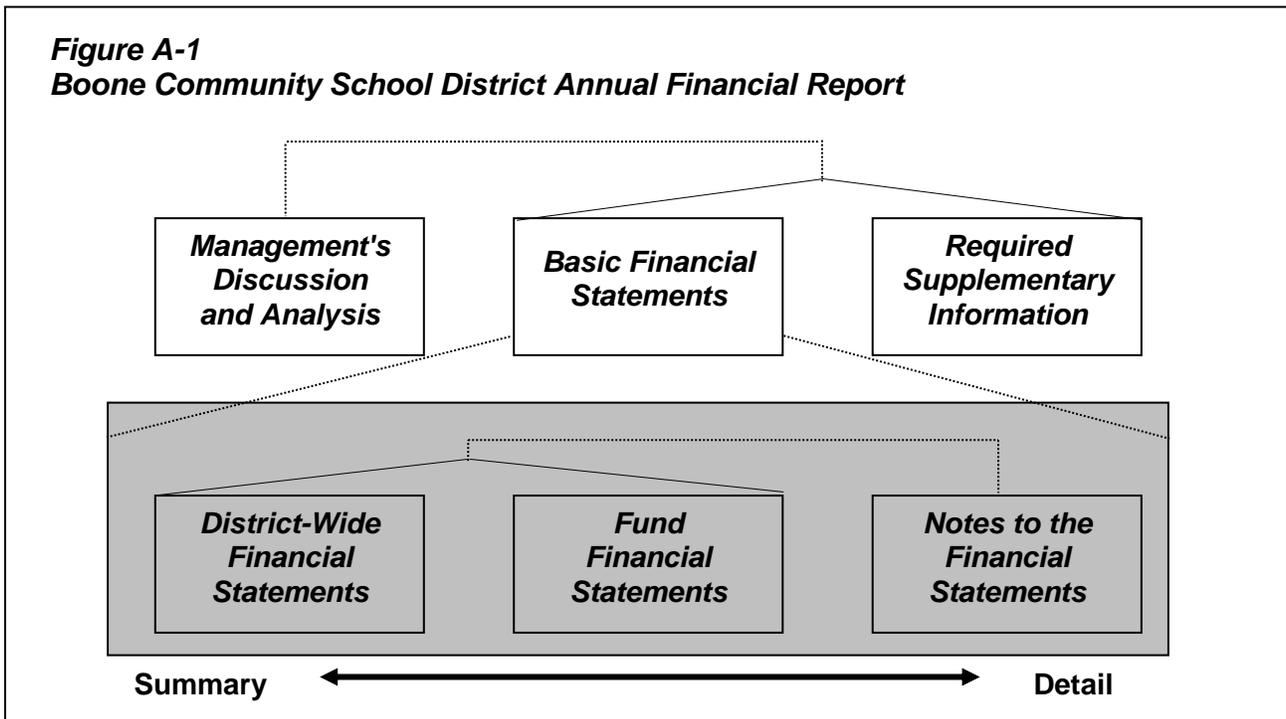


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	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 position Statement of activities	Balance sheet Statements of revenue, expenditures and changes in fund balances	Statement of net position Statement of revenue, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
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 position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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
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 %
FY13	439,261,596	14,197,966	3.34 %

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, such as federal grants.

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 position, a statement of revenue, expenses and changes in net position 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 position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Figure A-3 provides a summary of the District’s net position for the year ended June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and Other Assets	37,786	34,884	324	328	38,110	35,212	8.2 %
Capital Assets	30,198	25,442	138	162	30,336	25,604	18.5 %
Total Assets	67,984	60,326	462	490	68,446	60,816	12.5 %
Long-Term Liabilities	38,277	31,795	-	-	38,277	31,795	20.4 %
Other Liabilities	11,659	11,634	14	14	11,673	11,648	0.2 %
Total Liabilities	49,936	43,429	14	14	49,950	43,443	15.0 %
Net Position							
Net investment in capital assets	8,676	7,803	138	162	8,814	7,965	10.7 %
Restricted	4,734	3,794	-	-	4,734	3,794	24.8 %
Unrestricted	4,638	5,300	310	314	4,948	5,614	(11.9)%
Total Net Position	18,048	16,897	448	476	18,496	17,373	6.5 %

The District’s total net position increased 6.5%, or approximately \$1,123,000, from the prior year. The largest portion of the District’s net position is 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District’s total restricted net position increased by approximately \$940,000, or 24.8%, over the prior year. The increase was primarily a result of increased year-end fund balances in the Management, PPEL and Debt Service Funds.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by approximately \$666,000, or 11.9%, due to decreased property tax revenue in the General Fund.

Changes in Net Position – Figure A-4 shows a summary of the District’s changes in net position for the fiscal year ended June 30, 2013 as compared to the year ended June 30, 2012.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenue							
Program Revenue							
Charges for service	1,391	1,439	376	485	1,767	1,924	(8.2)%
Operating grants and contributions	3,371	3,245	501	497	3,872	3,742	3.5 %
General Revenue							
Property tax	8,234	7,910	-	-	8,234	7,910	4.1 %
Statewide sales, services and use tax	1,894	1,687	-	-	1,894	1,687	12.3 %
Unrestricted state grants	11,330	11,028	-	-	11,330	11,028	2.7 %
Unrestricted investment earnings	8	10	-	-	8	10	(20.0)%
Other	48	155	-	-	48	155	(69.0)%
Total Revenue	26,276	25,474	877	982	27,153	26,456	2.6 %
Program Expenses							
Instruction	16,031	16,439	-	-	16,031	16,439	(2.5)%
Support services	7,065	6,995	-	-	7,065	6,995	1.0 %
Non-instructional programs	-	-	905	908	905	908	(0.3)%
Other expenses	2,029	1,698	-	-	2,029	1,698	19.5 %
Total Expenses	25,125	25,132	905	908	26,030	26,040	0.0 %
Change in Net Position	1,151	342	(28)	74	1,123	416	170.0 %
Net Position - Beginning of Year	16,897	16,555	476	402	17,373	16,957	2.5 %
Net Position - End of Year	18,048	16,897	448	476	18,496	17,373	6.5 %

Property tax and unrestricted state grants accounted for 74.5% of the District’s total revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business-type activities.

The District’s total revenue was approximately \$27.2 million, of which \$26.3 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 2.6% increase in revenue primarily due to the increased debt service levy as the District began payments on the general obligation bonds for the new high school construction.

Governmental Activities

Revenue for governmental activities were \$26,276,000 and expenses were \$25,125,157 for the year ended June 30, 2013.

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, 2013 and 2012.

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

	2013	2012	2013	2012
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
Instruction	\$ 16,031	\$ 16,439	\$ 12,118	\$ 12,581
Support Services	7,065	6,995	7,036	6,958
Other Expenses	2,029	1,698	1,209	909
Total	\$ 25,125	\$ 25,132	\$ 20,363	\$ 20,448

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,390,552.
- Federal and state governments and users of programs subsidized certain programs with grants and contributions totaling \$3,371,207.
- The net cost of governmental activities was financed with \$10,127,882 in property and other taxes and \$11,330,102 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2013 was \$877,974, representing a 10.6% decrease over the prior year, while expenses totaled \$905,972, a 0.2% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenue of this activity is comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Boone Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$25,265,102, well above last year's ending fund balances of \$24,056,887. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$6.1 million of additional bond proceeds received during the fiscal year which were sold in May, 2013 and will be expended on the high school construction project over the next two fiscal years.

Governmental Fund Highlights

- The General Fund reported an overall decrease in its fund balance of \$586,132 at the end of fiscal year 2013 to \$4,409,204. This decrease was due to a decrease in revenue and an increase in expenditures.
- The Debt Service Fund balance increased from \$608,447 at the end of fiscal year 2012 to \$919,386 at the end of fiscal year 2013. This was due to the additional debt service levy assessed for principal and interest payment.
- The Capital Projects Fund balance increased from \$17,976,869 at the end of fiscal year 2012 to \$19,113,491 at the end of fiscal year 2013. This was due to the receipt of additional bond proceeds that exceeded current year construction expenditures.
- 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 \$1,894,077 for fiscal year 2013.

Proprietary Fund Highlights

- The School Nutrition Fund balance decreased from \$476,329 to \$448,331 as of June 30, 2013.

BUDGETARY HIGHLIGHTS

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

The District's total revenue was \$300,000 less than total budgeted revenue, a variance of 1% which was primarily due to a decrease in Nutrition Fund sales.

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

As of June 30, 2013, the District had invested \$30.3 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 \$811,745.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	5,819	531	-	-	5,819	531	995.9 %
Buildings	23,304	23,792	-	-	23,304	23,792	(2.1)%
Furniture and Equipment	755	800	138	162	893	962	(7.2)%
Total	30,197	25,442	138	162	30,335	25,604	18.5 %

LONG-TERM DEBT

As of June 30, 2013, the District had a total of \$37,975,084 in general obligation and revenue bonds and other long-term obligations outstanding. This represents an increase of 14.2% from the prior year total of \$33,239,000. (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,
	2013	2012	2012-2013
General Obligation Bonds	23,690	18,900	25.3 %
Revenue Bonds	13,860	14,175	(2.2)%
Early Retirement	160	-	100.0 %
Net OPEB Liability	265	164	61.6 %
Total	37,975	33,239	14.2 %

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:

- 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 \$3,239,210 as of June 30, 2012 to \$3,000,300 as of June 30, 2013. 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 12.6% as of June 30, 2012 to 11.7% as of June 30, 2013. 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 decreased during fiscal year 2013. The General Fund unassigned fund balance decreased from \$4,580,151 as of June 30, 2012 to \$4,016,827 as of June 30, 2013. The District's targeted solvency ratio as of June 30 is a minimum of 15% of that year's revenue. The solvency ratio as of June 30, 2013 is 18.6%, a decrease from 20.4% at June 30, 2012. 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 2014 is 2% and fiscal year 2015 has been set at 4%. The certified enrollment figures reported in October, 2013, which will be the basis for the District's state funding for fiscal year 2015, decreased by 41 students, or 1.8% less than the current year. 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.

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 Position

As of June 30, 2013

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents.....	\$ 27,960,788	\$ 313,335	\$ 28,274,123
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	66,075	—	66,075
Succeeding year	7,480,633	—	7,480,633
Due from other governments.....	1,844,920	—	1,844,920
Inventories and prepaid expenses	38,980	10,808	49,788
Unamortized underwriter's discount.....	394,903	—	394,903
Capital assets, net of accumulated depreciation	<u>30,197,772</u>	<u>138,040</u>	<u>30,335,812</u>
Total Assets	<u>\$ 67,984,071</u>	<u>\$ 462,183</u>	<u>\$ 68,446,254</u>
Liabilities			
Accounts payable	\$ 1,807,216	\$ 188	\$ 1,807,404
Salaries and benefits payable.....	1,919,120	13,664	1,932,784
Accrued interest payable	380,332	—	380,332
Due to other governments	64,694	—	64,694
Deferred Revenue			
Succeeding year property tax.....	7,480,633	—	7,480,633
Other.....	7,422	—	7,422
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds payable	750,000	—	750,000
Revenue bonds payable	650,000	—	650,000
Early retirement	160,084	—	160,084
Portion Due After One Year			
General obligation bonds payable	22,940,000	—	22,940,000
Revenue bonds payable	13,210,000	—	13,210,000
Unamortized premium on bonds payable.....	301,522	—	301,522
Net OPEB liability	265,000	—	265,000
Total Liabilities	<u>49,936,023</u>	<u>13,852</u>	<u>49,949,875</u>
Net Position			
Net investment in capital assets	8,675,698	138,040	8,813,738
Restricted for			
Categorical funding	353,397	—	353,397
Management levy.....	433,347	—	433,347
Physical plant and equipment levy	712,110	—	712,110
Student activities	229,590	—	229,590
School infrastructure	2,373,455	—	2,373,455
Debt service	632,435	—	632,435
Unrestricted	<u>4,638,016</u>	<u>310,291</u>	<u>4,948,307</u>
Total Net Position	<u>18,048,048</u>	<u>448,331</u>	<u>18,496,379</u>
Total Liabilities and Net Position	<u>\$ 67,984,071</u>	<u>\$ 462,183</u>	<u>\$ 68,446,254</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular instruction	\$ 10,226,749	\$ 910,399	\$ 1,891,727	\$ (7,424,623)	\$ —	\$ (7,424,623)
Special instruction	4,539,098	228,362	526,848	(3,783,888)	—	(3,783,888)
Other instruction	1,265,119	233,956	121,255	(909,908)	—	(909,908)
Total Instruction	<u>16,030,966</u>	<u>1,372,717</u>	<u>2,539,830</u>	<u>(12,118,419)</u>	<u>—</u>	<u>(12,118,419)</u>
Support Services						
Student services	812,724	—	—	(812,724)	—	(812,724)
Instructional staff services	510,033	—	—	(510,033)	—	(510,033)
Administration services	2,656,586	—	—	(2,656,586)	—	(2,656,586)
Operation and maintenance of plant services	2,369,568	13,837	—	(2,355,731)	—	(2,355,731)
Transportation services	716,088	3,998	10,749	(701,341)	—	(701,341)
Total Support Services	<u>7,064,999</u>	<u>17,835</u>	<u>10,749</u>	<u>(7,036,415)</u>	<u>—</u>	<u>(7,036,415)</u>
Other Expenditures						
Facilities acquisition	40,212	—	—	(40,212)	—	(40,212)
Long-term debt interest and fiscal charges	1,163,602	—	—	(1,163,602)	—	(1,163,602)
AEA flow through	820,628	—	820,628	—	—	—
Depreciation - unallocated*	4,750	—	—	(4,750)	—	(4,750)
Total Other Expenditures	<u>2,029,192</u>	<u>—</u>	<u>820,628</u>	<u>(1,208,564)</u>	<u>—</u>	<u>(1,208,564)</u>
Total Governmental Activities	25,125,157	1,390,552	3,371,207	(20,363,398)	—	(20,363,398)
Business-Type Activities						
Noninstructional Programs						
Nutrition services	<u>905,972</u>	<u>376,476</u>	<u>501,492</u>	<u>—</u>	<u>(28,004)</u>	<u>(28,004)</u>
Total	\$ 26,031,129	\$ 1,767,028	\$ 3,872,699	(20,363,398)	(28,004)	(20,391,402)
General Revenue						
Property Tax Levied for						
General purposes				6,412,875	—	6,412,875
Capital outlay				780,967	—	780,967
Debt service				1,039,963	—	1,039,963
Statewide sales, services and use tax				1,894,077	—	1,894,077
Unrestricted state grants				11,330,102	—	11,330,102
Unrestricted investment earnings				8,208	6	8,214
Other				48,049	—	48,049
Total General Revenue				21,514,241	6	21,514,247
Change in Net Position				1,150,843	(27,998)	1,122,845
Net Position - Beginning of Year				16,897,205	476,329	17,373,534
Net Position - End of Year				\$ 18,048,048	\$ 448,331	\$ 18,496,379

* Excludes direct depreciation expenses of the various programs.

Balance Sheet - Governmental Funds

As of June 30, 2013

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Assets					
Cash and pooled investments.....	\$ 6,403,939	\$ 916,368	\$ 19,765,940	\$ 826,796	\$ 27,913,043
Receivables					
Property Tax, Net					
Current year delinquent.....	44,205	9,142	6,865	5,863	66,075
Succeeding year	4,946,014	1,060,115	793,841	680,663	7,480,633
Due from other funds.....	—	—	6,200	—	6,200
Due from other governments.....	1,111,689	76	733,155	—	1,844,920
Prepaid expenses	<u>38,980</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>38,980</u>
Total Assets	<u>\$ 12,544,827</u>	<u>\$ 1,985,701</u>	<u>\$ 21,306,001</u>	<u>\$ 1,513,322</u>	<u>\$ 37,349,851</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 393,716	\$ —	\$ 1,398,669	\$ 9,638	\$ 1,802,023
Salaries and benefits payable.....	1,919,120	—	—	—	1,919,120
Due to other funds.....	—	6,200	—	—	6,200
Due to other governments	64,694	—	—	—	64,694
Deferred Revenue					
Succeeding year property tax.....	4,946,014	1,060,115	793,841	680,663	7,480,633
Other.....	<u>812,079</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>812,079</u>
Total Liabilities	<u>8,135,623</u>	<u>1,066,315</u>	<u>2,192,510</u>	<u>690,301</u>	<u>12,084,749</u>
Fund Balances					
Nonspendable					
Prepaid expenditure	38,980	—	—	—	38,980
Restricted for					
Categorical funding	353,397	—	—	—	353,397
Debt service.....	—	919,386	—	—	919,386
Management levy purposes	—	—	—	593,431	593,431
Student activities	—	—	—	229,590	229,590
School infrastructure	—	—	18,401,381	—	18,401,381
Physical plant and equipment purchases.....	—	—	712,110	—	712,110
Unassigned.....	<u>4,016,827</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,016,827</u>
Total Fund Balances	<u>4,409,204</u>	<u>919,386</u>	<u>19,113,491</u>	<u>823,021</u>	<u>25,265,102</u>
Total Liabilities and Fund Balances	<u>\$ 12,544,827</u>	<u>\$ 1,985,701</u>	<u>\$ 21,306,001</u>	<u>\$ 1,513,322</u>	<u>\$ 37,349,851</u>

See accompanying notes to the financial statements.

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

As of June 30, 2013

Total Fund Balances for Governmental Funds (Page 18)....		\$ 25,265,102
 <i>Amounts reported for governmental activities in the statement of net position 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.....		30,197,772
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 position.....		35,130
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds		812,079
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.....		(380,332)
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.....	\$ (13,860,000)	
General obligation bonds payable	(23,690,000)	
Other postemployment benefits.....	(265,000)	
Early retirement.....	(160,084)	
Unamortized premium on bonds payable	(301,522)	
Unamortized underwriter's discount.....	394,903	
		(37,881,703)
Net Position of Governmental Activities (Page 16)		<u>\$ 18,048,048</u>

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

Year Ended June 30, 2013

	General	Debt Service	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
Revenue					
Local Sources					
Local tax	\$ 5,766,721	\$ 1,039,963	\$ 2,675,044	\$ 646,154	\$ 10,127,882
Tuition	1,038,871	—	—	—	1,038,871
Other	178,142	241	12,144	359,045	549,572
State sources	13,666,242	—	—	—	13,666,242
Federal sources	905,325	—	—	—	905,325
Total Revenue	<u>21,555,301</u>	<u>1,040,204</u>	<u>2,687,188</u>	<u>1,005,199</u>	<u>26,287,892</u>
Expenditures					
Instruction					
Regular instruction	9,332,152	—	—	125,233	9,457,385
Special instruction	4,502,564	—	—	—	4,502,564
Other instruction	924,469	—	—	303,176	1,227,645
Total Instruction	<u>14,759,185</u>	<u>—</u>	<u>—</u>	<u>428,409</u>	<u>15,187,594</u>
Support Services					
Student services	808,652	—	—	—	808,652
Instructional staff services	504,305	—	—	3,586	507,891
Administration services	2,566,739	—	24,849	4,203	2,595,791
Operation and maintenance of plant services	2,136,553	—	87,956	212,955	2,437,464
Transportation services	545,371	—	90,582	8,119	644,072
Total Support Services	<u>6,561,620</u>	<u>—</u>	<u>203,387</u>	<u>228,863</u>	<u>6,993,870</u>
Other Expenditures					
Facilities acquisition and construction	—	—	5,465,643	—	5,465,643
Long-Term Debt					
Principal	—	1,650,000	—	—	1,650,000
Interest and fiscal charges	—	1,119,922	37,869	—	1,157,791
AEA flowthrough	820,628	—	—	—	820,628
Total Other Expenditures	<u>820,628</u>	<u>2,769,922</u>	<u>5,503,512</u>	<u>—</u>	<u>9,094,062</u>
Total Expenditures	<u>22,141,433</u>	<u>2,769,922</u>	<u>5,706,899</u>	<u>657,272</u>	<u>31,275,526</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(586,132)</u>	<u>(1,729,718)</u>	<u>(3,019,711)</u>	<u>347,927</u>	<u>(4,987,634)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	—	—	6,125,000	—	6,125,000
Bond premium	—	—	115,786	—	115,786
Bond underwriter's discount	—	—	(44,937)	—	(44,937)
Operating transfers in	—	2,040,657	1,141	—	2,041,798
Operating transfers out	—	—	(2,040,657)	(1,141)	(2,041,798)
Total Other Financing Sources (Uses)	<u>—</u>	<u>2,040,657</u>	<u>4,156,333</u>	<u>(1,141)</u>	<u>6,195,849</u>
Net Change in Fund Balances	<u>(586,132)</u>	<u>310,939</u>	<u>1,136,622</u>	<u>346,786</u>	<u>1,208,215</u>
Fund Balance - Beginning of Year	4,995,336	608,447	17,976,869	476,235	24,056,887
Fund Balance - End of Year	<u>\$ 4,409,204</u>	<u>\$ 919,386</u>	<u>\$ 19,113,491</u>	<u>\$ 823,021</u>	<u>\$ 25,265,102</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, 2013

Change in Fund Balances - Total Governmental Funds (Page 20) \$ 1,208,215

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 position 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.....	\$ 5,543,843	
Depreciation expense.....	<u>(787,589)</u>	4,756,254

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 position 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.....	\$ (6,125,000)	
Long-term debt principal repaid.....	1,650,000	
Bond underwriter's discount	44,937	
Bond premium.....	(115,786)	
Amortization of discounts and premiums	(4,683)	
Increase in accrued interest	<u>(1,128)</u>	(4,551,660)

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

Prior period	\$ (823,971)	
Current period	<u>812,079</u>	(11,892)

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.

11,010

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

Early retirement.....	\$ (160,084)	
Other postemployment benefits.....	<u>(101,000)</u>	<u>(261,084)</u>

Change in Net Position of Governmental Activities (Page 17) \$ 1,150,843

Statement of Net Position - Proprietary Funds

As of June 30, 2013

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Assets		
Cash and cash equivalents.....	\$ 313,335	\$ 47,745
Inventories.....	10,808	—
Capital assets, net of accumulated depreciation.....	<u>138,040</u>	<u>—</u>
Total Assets	<u>\$ 462,183</u>	<u>\$ 47,745</u>
Liabilities		
Accounts payable	\$ 188	\$ 5,193
Salaries and benefits payable.....	13,664	—
Deferred revenue	<u>—</u>	<u>7,422</u>
Total Liabilities	<u>13,852</u>	<u>12,615</u>
Net Position		
Invested in capital assets.....	138,040	—
Unrestricted	<u>310,291</u>	<u>35,130</u>
Total Net Position	<u>448,331</u>	<u>35,130</u>
Total Liabilities and Net Position	<u>\$ 462,183</u>	<u>\$ 47,745</u>

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

Year Ended June 30, 2013

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Operating Revenue		
Charges for service	\$ 376,476	\$ —
Self-insurance contributions	<u>—</u>	<u>87,890</u>
Total Operating Revenue	<u>376,476</u>	<u>87,890</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	347,973	—
Purchased services.....	9,313	—
Supplies	524,530	—
Depreciation.....	24,156	—
Self-insurance claims and fees.....	<u>—</u>	<u>76,880</u>
Total Operating Expenses	<u>905,972</u>	<u>76,880</u>
Income (Loss) From Operations.....	<u>(529,496)</u>	<u>11,010</u>
Nonoperating Revenue		
State sources	8,300	—
Federal sources.....	493,192	—
Interest on investments	<u>6</u>	<u>—</u>
Total Nonoperating Revenue	<u>501,498</u>	<u>—</u>
Increase in Net Position	(27,998)	11,010
Net Position - Beginning of Year.....	<u>476,329</u>	<u>24,120</u>
Net Position - End of Year.....	<u>\$ 448,331</u>	<u>\$ 35,130</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2013

	<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.....	\$ 376,476	\$ —
Cash received from assessments made to other funds	—	87,451
Cash payments to employees for services	(347,734)	—
Cash payments to suppliers for goods and services	(481,168)	—
Cash payments for insurance claims	<u>—</u>	<u>(78,122)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(452,426)</u>	<u>9,329</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	8,300	—
Federal grants received.....	<u>443,106</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>451,406</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>6</u>	<u>—</u>
Net Increase in Cash and Cash Equivalents.....	(1,014)	9,329
Cash and Cash Equivalents at Beginning of Year	<u>314,349</u>	<u>38,416</u>
Cash and Cash Equivalents at End of Year	<u>\$ 313,335</u>	<u>\$ 47,745</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (529,496)	\$ 11,010
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	50,884	—
Depreciation	24,156	—
Changes in Assets and Liabilities		
Decrease in inventories	2,248	—
Increase in salaries and benefits payable	239	—
Increase in accounts payable	(457)	(1,242)
Decrease in deferred revenue	<u>—</u>	<u>(439)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (452,426)</u>	<u>\$ 9,329</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2013, the District received \$50,086 of federal commodities.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2013

	<u>Private Purpose Trust</u> Scholarship
Assets	
Cash, Cash Equivalents and Pooled Investments	<u>\$ 178,461</u>
Liabilities	
Accounts payable	\$ 290
Net Position	
Reserved for scholarships	<u>178,171</u>
Total Liabilities and Net Position	<u>\$ 178,461</u>

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

Year Ended June 30, 2013

	Private Purpose Trust <u>Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	\$ 27,511
Interest income	<u>34</u>
Total Additions	<u>27,545</u>
Deductions	
Instruction	
Regular Instruction	
Scholarships awarded	<u>11,793</u>
Change in Net Position	15,752
Net Position - Beginning of Year	<u>162,419</u>
Net Position - End of Year	<u>\$ 178,171</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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, 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 meets this criteria because of the significance of its operational or financial relationship with the District; however, it has not been included in the District's financial statements.

Excluded 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 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; however, the Foundation's financial information was not made available to the District; therefore, such information has been excluded from the District's financial statements.

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 position 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 position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 position and changes in net position. 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 position 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

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 Tax Receivable

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Due From Other Governments

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

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. As of June 30, 2013, total inventories included government commodities valued at \$5,193 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 position. 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 as of June 30, 2013. 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

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Deferred Revenue

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

Deferred revenue on the statement of net position consists of succeeding year property tax 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 position.

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.

Unassigned - All amounts not included in the preceding classifications.

Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted or its General Fund unspent authorized budget.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2013 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.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

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.

As of June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Government Obligations Portfolio of \$22,332,706. 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 \$8,471 in certificates of deposits with maturities ranging from October, 2013 to November, 2013.

(3) Interfund Loan Agreements

The District approved an interfund loan during the year ended June 30, 2013, between the Capital Projects - Physical Plant and Equipment Levy account and the Debt Service Fund as follows:

Lending Fund	Borrowing Fund	Outstanding June 30, 2013
Capital Projects - Physical Plant and Equipment Levy	Debt Service	\$ 6,200

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
Capital Projects	Student Activity	\$ 1,141
Debt Service	Capital Projects	<u>2,040,657</u>
		<u>\$ 2,041,798</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, 2013 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>530,521</u>	<u>5,358,793</u>	<u>70,000</u>	<u>5,819,314</u>
Total Capital Assets Not Being Depreciated.....	<u>849,953</u>	<u>5,358,793</u>	<u>70,000</u>	<u>6,138,746</u>
Capital Assets Being Depreciated				
Buildings and improvements	34,023,751	135,439	—	34,159,190
Furniture and equipment	<u>2,113,903</u>	<u>119,611</u>	<u>81,600</u>	<u>2,151,914</u>
Total Capital Assets Being Depreciated.....	<u>36,137,654</u>	<u>255,050</u>	<u>81,600</u>	<u>36,311,104</u>
Less Accumulated Depreciation for				
Buildings and improvements	10,232,206	623,143	—	10,855,349
Furniture and equipment	<u>1,313,883</u>	<u>164,446</u>	<u>81,600</u>	<u>1,396,729</u>
Total Accumulated Depreciation...	<u>11,546,089</u>	<u>787,589</u>	<u>81,600</u>	<u>12,252,078</u>
Net Total Capital Assets Being Depreciated.....				
	<u>24,591,565</u>	<u>(532,539)</u>	<u>—</u>	<u>24,059,026</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 25,441,518</u>	<u>\$ 4,826,254</u>	<u>\$ 70,000</u>	<u>\$ 30,197,772</u>
Business-Type Activities				
Furniture and equipment	\$ 368,167	\$ —	\$ —	\$ 368,167
Less accumulated depreciation	<u>205,971</u>	<u>24,156</u>	<u>—</u>	<u>230,127</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 162,196</u>	<u>\$ (24,156)</u>	<u>\$ —</u>	<u>\$ 138,040</u>

Depreciation expense was charged as follows:

Governmental Activities		
Instruction		
Regular		\$ 668,406
Other.....		14,662
Support Services		
Administration		17,880
Operation and maintenance of plant services.....		12,451
Transportation.....		<u>69,440</u>
Subtotal.....		782,839
Unallocated		<u>4,750</u>
Total Governmental Activities Depreciation Expense		<u>\$ 787,589</u>
Business-Type Activities		
Food Service Operations.....		<u>\$ 24,156</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds.....	\$ 18,900,000	\$ 6,125,000	\$ 1,335,000	\$ 23,690,000	\$ 750,000
Revenue bonds	14,175,000	—	315,000	13,860,000	650,000
Early retirement	—	160,084	—	160,084	160,084
Net OPEB liability ...	164,000	101,000	—	265,000	—
Total	\$ 33,239,000	\$ 6,386,084	\$ 1,650,000	\$ 37,975,084	\$ 1,560,084

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

	Bond Issue of December 22, 2009			Bond Issue of March 1, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	3.50%	\$ —	\$ 193,850	1.10%	\$ 650,000	\$ 75,358
2015	3.50	—	193,850	1.45	655,000	68,208
2016	3.50	545,000	193,850	1.80	125,000	58,710
2017	3.50	565,000	174,775	2.10	125,000	56,460
2018	4.00	585,000	155,000	2.40	125,000	53,835
2019-2023	4.00	3,290,000	404,600	2.60 - 3.20	685,000	217,750
2024-2028	—	—	—	3.45	900,000	31,050
2029-2033	—	—	—	—	—	—
Total		\$ 4,985,000	\$ 1,315,925		\$ 3,265,000	\$ 561,371
	Bond Issue of May 1, 2012			Bond Issue of May 1, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	2.00%	\$ 100,000	\$ 273,288	2.00%	\$ —	\$ 141,657
2015	2.00	100,000	271,288	2.00	—	141,657
2016	2.00	100,000	269,288	2.00	250,000	141,658
2017	2.00	100,000	267,288	2.00	260,000	136,657
2018	2.00	100,000	265,288	2.00	265,000	131,458
2019-2023	2.00 - 2.50	500,000	1,295,690	2.00	1,410,000	575,988
2024-2028	2.50 - 3.00	3,750,000	1,101,440	2.00 - 2.50	2,230,000	406,593
2029-2033	3.00 - 3.25	4,565,000	384,952	2.75 - 3.00	1,710,000	111,788
Total		\$ 9,315,000	\$ 4,128,522		\$ 6,125,000	\$ 1,787,456
	Total					
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 750,000	\$ 684,153				
2015	755,000	675,003				
2016	1,020,000	663,506				
2017	1,050,000	635,180				
2018	1,075,000	605,581				
2019-2013	5,885,000	2,494,028				
2024-2028	6,880,000	1,539,083				
2029-2033	6,275,000	496,740				
Total	\$ 23,690,000	\$ 7,793,274				

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2013 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
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	4.00	385,000	311,740	2.00	305,000	127,423	690,000	439,163
2019-2023	4.125 - 4.75	2,140,000	1,296,078	2.25 - 2.60	1,630,000	530,514	3,770,000	1,826,592
2024-2028	4.800 - 5.30	2,750,000	715,540	2.75 - 3.35	1,855,000	296,524	4,605,000	1,012,064
2029-2033	5.30	1,320,000	71,020	3.45 - 3.55	825,000	29,351	2,145,000	100,371
Total.....		<u>\$ 8,080,000</u>	<u>\$ 3,791,638</u>		<u>\$ 5,780,000</u>	<u>\$ 1,552,934</u>	<u>\$ 13,860,000</u>	<u>\$ 5,344,572</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 \$11,871,638. For the current year, principal of \$315,000 and interest of \$385,140 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 \$166,567 was paid during the current year. Total principal and interest remaining to be paid on the bonds is \$7,332,934.

Total statewide sales, services and use tax revenue was \$1,894,077.

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, 2013.

(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, 2013.

Year Ending June 30,	
2014	\$ 37,152
2015	18,579
Total	<u>\$ 55,731</u>

Total rental expenditures for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, was \$37,152.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$1,218,190, \$1,138,700 and \$957,168 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 employee, 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. (See Note 14.) 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 the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 177,000
Interest on net OPEB obligation.....	7,000
Adjustment to annual required contribution.....	<u>(6,000)</u>
Annual OPEB Cost	178,000
Contributions made	<u>(77,000)</u>
Increase in Net OPEB Obligation	101,000
Net OPEB Obligation - Beginning of Year.....	<u>164,000</u>
Net OPEB Obligation - End of Year	<u>\$ 265,000</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 actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$77,000 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, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 137,000	48.9%	\$ 110,000
June 30, 2012	137,000	60.6	164,000
June 30, 2013	178,000	43.3	265,000

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,699,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,699,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,711,000, and the ratio of the UAAL to the covered payroll was 14.5%. As of June 30, 2013, 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, 2012 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 10%. 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, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$748 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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 \$820,628 for the year ended June 30, 2013, 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 \$1,518,000 for the additions to and remodeling of the high school. As of June 30, 2013, costs of \$1,166,800 had been incurred against the contract. The balance of \$351,200 remaining as of June 30, 2013 will be paid as work on the project progresses.

The District has entered into a contract totaling approximately \$19,127,000 for the renovations and additions to the high school. As of June 30, 2013, costs of \$4,511,000 had been incurred against the contract. The balance of \$14,616,000 remaining as of June 30, 2013 will be paid as work on the project progresses.

The District has entered into a contract totaling approximately \$96,000 for the removal of asbestos in the high school. As of June 30, 2013, costs of \$86,000 had been incurred against the contract. The balance of \$10,000 remaining as of June 30, 2013 will be paid as work on the project progresses.

Notes to the Financial Statements

(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 as of June 30, 2013 was approximately \$1,955,000.

(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, 2013:

Estimated claims incurred but not reported - June 30, 2012	\$ 6,435
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2013.....	75,638
Claims paid during the year ended June 30, 2013.....	<u>76,880</u>
Estimated Claims Incurred But Not Reported - June 30, 2013	<u>\$ 5,193</u>

(15) Subsequent Events

Management has evaluated events through October 24, 2013, the date which the financial statements were available to be issued.

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, 2013

	Governmental Fund Types - Actual	Proprietary Fund Type - Actual	Total	Original and Final Budget	Over (Under) Budget
Revenue					
Local sources	\$ 11,716,325	\$ 376,482	\$ 12,092,807	\$ 12,469,567	\$ (376,760)
State sources	13,666,242	8,300	13,674,542	13,773,619	(99,077)
Federal sources	905,325	493,192	1,398,517	1,225,000	173,517
Total Revenue	<u>26,287,892</u>	<u>877,974</u>	<u>27,165,866</u>	<u>27,468,186</u>	<u>(302,320)</u>
Expenditures/Expenses					
Instruction.....	15,187,594	—	15,187,594	17,433,280	(2,245,686)
Support services	6,993,870	—	6,993,870	7,125,135	(131,265)
Noninstructional programs	—	905,972	905,972	1,373,157	(467,185)
Other expenditures.....	9,094,062	—	9,094,062	13,875,566	(4,781,504)
Total Expenditures/Expenses	<u>31,275,526</u>	<u>905,972</u>	<u>32,181,498</u>	<u>39,807,138</u>	<u>(7,625,640)</u>
Revenue Over (Under) Expenditures/Expenses	(4,987,634)	(27,998)	(5,015,632)	(12,338,952)	7,323,320
Other Financing Sources (Uses) (Net)	<u>6,195,849</u>	<u>—</u>	<u>6,195,849</u>	<u>6,125,000</u>	<u>70,849</u>
Revenue and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	1,208,215	(27,998)	1,180,217	(6,213,952)	<u>\$ 7,394,169</u>
Balance - Beginning of Year	24,056,887	476,329	24,533,216	23,142,764	
Balance - End of Year	<u>\$ 25,265,102</u>	<u>\$ 448,331</u>	<u>\$ 25,713,433</u>	<u>\$ 16,928,812</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, 2013, 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
2013	7-1-12	—	1,699,000	1,699,000	0	11,711,000	14.5

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, 2013

	<u>Special Revenue</u>		Total
	Management Levy	Student Activity	Nonmajor Govern- mental Funds
Assets			
Cash and pooled investments	\$ 587,886	\$ 238,910	\$ 826,796
Receivables			
Property Tax, Net			
Current year delinquent	5,863	—	5,863
Succeeding year	<u>680,663</u>	<u>—</u>	<u>680,663</u>
Total Assets	<u>\$ 1,274,412</u>	<u>\$ 238,910</u>	<u>\$ 1,513,322</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 318	\$ 9,320	\$ 9,638
Deferred Revenue			
Succeeding year property tax	<u>680,663</u>	<u>—</u>	<u>680,663</u>
Total Liabilities	<u>680,981</u>	<u>9,320</u>	<u>690,301</u>
Fund Balances			
Restricted for			
Management levy purposes	593,431	—	593,431
Student activities	<u>—</u>	<u>229,590</u>	<u>229,590</u>
Total Fund Balances	<u>593,431</u>	<u>229,590</u>	<u>823,021</u>
Total Liabilities and Fund Balances	<u>\$ 1,274,412</u>	<u>\$ 238,910</u>	<u>\$ 1,513,322</u>

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

Year Ended June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	Nonmajor Govern- mental Funds
Revenue			
Local Sources			
Local tax.....	\$ 646,154	\$ —	\$ 646,154
Other	<u>7,652</u>	<u>351,393</u>	<u>359,045</u>
Total Revenue	<u>653,806</u>	<u>351,393</u>	<u>1,005,199</u>
Expenditures			
Instruction			
Regular instruction.....	125,233	—	125,233
Other instruction	<u>—</u>	<u>303,176</u>	<u>303,176</u>
Total Instruction	<u>125,233</u>	<u>303,176</u>	<u>428,409</u>
Support Services			
Administration services.....	4,203	—	4,203
Operation and maintenance of plant services	201,090	11,865	212,955
Instructional staff services	<u>—</u>	<u>3,586</u>	<u>3,586</u>
Transportation services	8,119	<u>—</u>	<u>8,119</u>
Total Support Services	<u>213,412</u>	<u>15,451</u>	<u>228,863</u>
Total Expenditures	<u>338,645</u>	<u>318,627</u>	<u>657,272</u>
Excess of Revenue Over Expenditures	<u>315,161</u>	<u>32,766</u>	<u>347,927</u>
Other Financing Uses			
Operating transfers out.....	<u>—</u>	<u>(1,141)</u>	<u>(1,141)</u>
Net Change in Fund Balances	315,161	31,625	346,786
Fund Balance - Beginning of Year	<u>278,270</u>	<u>197,965</u>	<u>476,235</u>
Fund Balance - End of Year	<u>\$ 593,431</u>	<u>\$ 229,590</u>	<u>\$ 823,021</u>

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

Year Ended June 30, 2013

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Restricted - unallocated interest	\$ 90	\$ 1,141	\$ 1,141	\$ 90
Activity revenue	—	111,215	111,215	—
Musicals	246	—	—	246
Band uniforms	822	50	—	872
Cheerleading	12,812	6,589	5,179	14,222
Drill team	10,938	4,570	3,026	12,482
Basketball.....	766	10,053	6,353	4,466
State-sponsored tournament	5,608	3,558	6,906	2,260
Football	19,025	44,214	41,531	21,708
Rinehart NFL fund balance.....	1,458	—	1,458	—
Baseball	—	13,111	8,109	5,002
Boys Track	3,522	4,625	7,531	616
Boys Cross Country.....	—	2,856	2,056	800
Boys Soccer	—	7,206	3,906	3,300
Boys Tennis.....	—	4,470	2,870	1,600
Boys Golf.....	1,154	2,058	2,016	1,196
Boys Swimming.....	1,312	4,186	2,495	3,003
Wrestling	—	6,554	3,754	2,800
Girls Basketball	—	16,238	9,016	7,222
Volleyball.....	—	12,036	6,136	5,900
Softball	—	7,755	6,642	1,113
Girls Track.....	1,094	11,447	6,156	6,385
Girls Cross Country	—	3,166	1,666	1,500
Girls Soccer.....	—	11,092	8,092	3,000
Girls Tennis	3,171	1,194	1,711	2,654
Girls Swimming	60	9,170	6,730	2,500
Athletic Miscellaneous	—	9,156	9,156	—
Lift-A-Thon Fund	323	—	—	323
Pride Club Fund	888	4,737	4,268	1,357
FCS.....	316	80	—	396
FFA	605	22,756	19,173	4,188
FFA Monsanto Grant.....	—	5,000	—	5,000
Foreign Language Club	8,275	1,289	4,068	5,496
Chess Club.....	159	—	—	159
Thespian Club	1,843	3,678	3,886	1,635
Peer Helpers	2,664	776	1,323	2,117

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

Year Ended June 30, 2013

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
National Honor Society	\$ 208	\$ 1,682	\$ 564	\$ 1,326
Student Council	14,168	14,462	12,894	15,736
Student Congress	4,150	5,128	4,559	4,719
SADD High School	229	—	—	229
SADD Middle School	412	—	400	12
HS Year Book	2,657	22,732	23,564	1,825
Spotlight	—	1,075	1,075	—
Middle School Year Book	3,112	6,664	6,228	3,548
Drama	19,717	10	4,533	15,194
Speech	1,303	2,488	1,769	2,022
Prom	8,897	10,770	8,617	11,050
Elementary Library	574	—	—	574
Franklin Box Top	6,044	—	5,800	244
Lincoln Activity	5,210	2,224	2,179	5,255
Page Activity	2,460	1,360	1,295	2,525
Construction	1,242	248	—	1,490
MS Art IA Soybean Assoc.	284	—	—	284
Futures	593	—	41	552
MS Vocal Music	5,737	18,594	14,195	10,136
MS Band	5,512	30	4,477	1,065
HS Instrumental Music	1,223	9,191	4,708	5,706
Orchestra	16,837	—	9,494	7,343
Iowa Games	631	—	631	—
Red Cross Fund	2,349	—	350	1,999
HS Vocal Music	5,552	9,829	14,079	1,302
MS Outdoor Working Lab	1,039	5,551	4,825	1,765
HS Library	3,629	—	3,586	43
Tag Fundraising	5,114	344	474	4,984
TSA High School	—	2,363	1,838	525
TSA Middle School	1,931	4,055	3,457	2,529
Score Board Donations	—	13,376	13,376	—
	<u>\$ 197,965</u>	<u>\$ 478,202</u>	<u>\$ 446,577</u>	<u>\$ 229,590</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Assets				
Cash and pooled investments	\$ 2,969,125	\$ 698,988	\$ 16,097,827	\$ 19,765,940
Receivables				
Property Tax, Net				
Current year delinquent	—	6,865	—	6,865
Succeeding year	—	793,841	—	793,841
Due from other funds	—	6,200	—	6,200
Due from other governments	<u>733,098</u>	<u>57</u>	<u>—</u>	<u>733,155</u>
Total Assets	<u>\$ 3,702,223</u>	<u>\$ 1,505,951</u>	<u>\$ 16,097,827</u>	<u>\$ 21,306,001</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 878,171	\$ —	\$ 520,498	\$ 1,398,669
Deferred Revenue				
Succeeding year property tax	<u>—</u>	<u>793,841</u>	<u>—</u>	<u>793,841</u>
Total Liabilities	<u>878,171</u>	<u>793,841</u>	<u>520,498</u>	<u>2,192,510</u>
Fund Balances				
Restricted for				
School infrastructure	2,824,052	—	15,577,329	18,401,381
Physical plant and equipment	<u>—</u>	<u>712,110</u>	<u>—</u>	<u>712,110</u>
Total Fund Balances	<u>2,824,052</u>	<u>712,110</u>	<u>15,577,329</u>	<u>19,113,491</u>
Total Liabilities and Fund Balances	<u>\$ 3,702,223</u>	<u>\$ 1,505,951</u>	<u>\$ 16,097,827</u>	<u>\$ 21,306,001</u>

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

Year Ended June 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Revenue				
Local Sources				
Local tax.....	\$ 1,894,077	\$ 780,967	\$ —	\$ 2,675,044
Other	5,315	5,006	1,823	12,144
Total Revenue	<u>1,899,392</u>	<u>785,973</u>	<u>1,823</u>	<u>2,687,188</u>
Expenditures				
Support Services				
Administration services.....	4,223	20,626	—	24,849
Operation and maintenance of plant services.....	—	87,956	—	87,956
Transportation	—	90,582	—	90,582
Total Support Services.....	<u>4,223</u>	<u>199,164</u>	<u>—</u>	<u>203,387</u>
Other Expenditures				
Facilities acquisition and construction	4,753,677	191,468	520,498	5,465,643
Long-Term Debt				
Interest and other charges	37,869	—	—	37,869
Total Other Expenditures	<u>4,791,546</u>	<u>191,468</u>	<u>520,498</u>	<u>5,503,512</u>
Total Expenditures.....	<u>4,795,769</u>	<u>390,632</u>	<u>520,498</u>	<u>5,706,899</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(2,896,377)</u>	<u>395,341</u>	<u>(518,675)</u>	<u>(3,019,711)</u>
Other Financing Sources (Uses)				
General obligation bonds issued.....	—	—	6,125,000	6,125,000
Bond premium	—	—	115,786	115,786
Bond underwriter's discount	—	—	(44,937)	(44,937)
Operating transfers in	—	1,141	—	1,141
Operating transfers out.....	(2,040,657)	—	—	(2,040,657)
Total Other Financing Sources (Uses).....	<u>(2,040,657)</u>	<u>1,141</u>	<u>6,195,849</u>	<u>4,156,333</u>
Net Change in Fund Balances	<u>(4,937,034)</u>	<u>396,482</u>	<u>5,677,174</u>	<u>1,136,622</u>
Fund Balance - Beginning of Year..	7,761,086	315,628	9,900,155	17,976,869
Fund Balance - End of Year	<u>\$ 2,824,052</u>	<u>\$ 712,110</u>	<u>\$ 15,577,329</u>	<u>\$ 19,113,491</u>

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

Years Ended June 30, 2007 through 2013

	2013	2012	2011	2010	2009	2008	2007
Revenue							
Local Sources							
Local tax	\$ 10,127,882	\$ 9,596,477	\$ 10,392,406	\$ 9,873,755	\$ 9,362,981	\$ 9,001,345	\$ 9,053,675
Tuition.....	1,038,871	1,111,715	1,237,200	1,267,917	1,874,517	1,835,631	1,855,694
Other.....	549,572	533,320	700,085	577,374	765,287	1,013,826	1,300,917
Intermediate source.....	—	—	—	—	7,854	—	—
State sources	13,666,242	13,339,042	12,165,691	10,728,876	11,915,314	12,158,734	11,336,321
Federal sources.....	<u>905,325</u>	<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>\$ 26,287,892</u>	<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.....	\$ 9,457,385	\$ 9,823,819	\$ 9,540,488	\$ 9,502,631	\$ 9,880,039	\$ 10,297,855	\$ 10,019,156
Special instruction.....	4,502,564	4,409,852	4,405,512	4,050,504	3,936,127	3,723,582	3,797,441
Other instruction.....	1,227,645	1,271,201	1,259,385	1,197,671	1,154,045	1,368,168	1,303,120
Support Services							
Student services	808,652	797,286	678,451	694,099	676,150	773,552	746,397
Instructional staff services.....	507,891	558,828	545,149	443,099	453,867	554,688	714,945
Administration services	2,595,791	2,490,293	2,290,327	2,334,310	2,336,282	2,305,447	2,314,547
Operation and maintenance of plant services	2,437,464	2,481,170	2,400,908	2,202,933	2,056,123	2,262,848	2,058,498
Transportation services.....	644,072	567,965	670,145	551,206	481,531	556,578	495,398
Other Expenditures							
Facilities acquisition and construction	5,465,643	963,873	2,044,080	6,223,372	735,377	429,108	1,277,941
Long-Term Debt							
Principal	1,650,000	940,000	790,000	545,000	755,000	725,000	695,000
Interest and other charges.....	1,157,791	784,980	831,644	633,442	457,960	481,030	503,380
AEA flowthrough.....	<u>820,628</u>	<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>\$ 31,275,526</u>	<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, 2013

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 2013	\$ 67,225
National School Lunch Program	10.555*	FY 2013	<u>425,967</u>
Total U.S. Department of Agriculture.....			<u>493,192</u>
U.S. Department of Education			
Pass-Through From Heartland Area Education Agency			
Special Education - Grants to States.....	84.027	FY 2013	<u>125,011</u>
Pass-Through From Iowa Department of Education			
Title 1 Grants to Local Educational Agencies	84.010	FY 2013	<u>291,339</u>
Career and Technical Education - Basic Grants to States	84.048	FY 2013	<u>20,320</u>
Improving Teacher Quality State Grants	84.367	FY 2013	<u>77,306</u>
Grants for State Assessment and Related Activities	84.369	FY 2013	<u>14,079</u>
Drug-Free Communities Support Program Grants ...	93.276	FY 2013	<u>529</u>
Total Pass-Through From Iowa Department of Education			<u>403,573</u>
Total U.S. Department of Education			<u>528,584</u>
Total			<u>\$ 1,021,776</u>

* Includes \$50,086 of noncash awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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

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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boone Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boone Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 13-II-R-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, 2013 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.

Boone Community School District's Response to Findings

Boone Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
October 24, 2013

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Education
Boone Community School District
Boone, Iowa

Report on Compliance for Each Major Federal Program

We have audited 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 Boone Community School District's major federal programs for the year ended June 30, 2013. Boone Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boone Community School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Boone Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Boone Community School District complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

The management of Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boone Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 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, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. 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 13-III-R-1 to be a material weakness.

Boone Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boone Community School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

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Mason City, Iowa
October 24, 2013

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified and adverse

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

10.555

84.027

School Breakfast Program

National School Lunch Program

Special Education

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, 2013

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

A prior year deficiency has not been resolved and has been repeated below as item 13-II-R-1.

13-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. The potential effect of these control deficiencies is that a misstatement or omission in the financial statements would not be prevented, detected or corrected on a timely basis. 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.

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

A prior year deficiency has not been resolved and has been repeated below as item 13-III-R-1.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

13-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 13-II-R-1 for additional information.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting

- 13-IV-A Certified Budget** - Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.
- 13-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 13-II-R-2 and 13-IV-C.
- 13-IV-C Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 13-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.
- 13-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.
- 13-IV-F Board Minutes** - No business transactions were found that we believe should have been approved in the Board minutes but were not.
- 13-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, 2012. The variances resulted in a decrease of certified students by 1.00 student.
- 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.
- 13-IV-H Supplementary Weighting** - No variances regarding the supplementary weighting certified to the Iowa Department of Education, except as noted in comment 13-IV-G were noted.
- 13-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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

13-IV-K Categorical Funding

Finding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. The District allocated \$4,737 to the District's Special Education program for equipment costs. The equipment cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 281-41 of the Iowa Department of Education's Administrative Rules, as the equipment was not specialized or unique to the special education classrooms.

Auditor's Recommendation - The District should establish procedures to ensure only proper costs are getting allocated to the special education program as allowed by Iowa Administrative Rules Chapter 281-41.

District's Response - We will do so.

Auditor's Conclusion - Response accepted.

13-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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance.....			\$ 7,761,086
Revenue			
Sales tax revenue	\$ 1,894,077		
Other local revenue.....	<u>5,315</u>		1,899,392
Expenditures/Transfers Out			
Administration services	\$ 4,223		
School infrastructure construction	4,753,677		
Bond discount and issuance fees.....	37,869		
Transfer to debt service fund	<u>2,040,657</u>		<u>6,836,426</u>
Ending Balance			<u>\$ 2,824,052</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2013

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

13-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.

13-IV-O Unclaimed Property

Finding - Iowa Code Chapter 556 defines abandoned property as payroll checks outstanding more than one year and other checks greater than \$50 that have been outstanding over three years. In accordance with Chapter 556.11, abandoned property should be reported to the State Treasurer annually before November 1 for the fiscal year ending on the preceding June 30. As of June 30, 2013, the District had 41 checks that should have been reported and remitted to the State Treasurer.

Auditor's Recommendation - The District should annually review outstanding checks and report abandonment of property to comply with Iowa Code Chapter 556.

District's Response - We will properly follow Iowa escheat laws.

Auditor's Conclusion - Response accepted.