

BOYDEN-HULL
COMMUNITY SCHOOL DISTRICT

Hull, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings

June 30, 2013

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

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BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u>		
Mark Warntjes	President	2013
Jake Ten Haken	Vice President	2015
Aric Van Voorst	Board Member	2015
Jason Moser	Board Member	2015
Mark Nilles	Board Member	2013
<u>SCHOOL OFFICIALS</u>		
Steve Grond	Superintendent	2013
Lori Hoven	Secretary and Business Manager	2013
John De Koster	Attorney	Indefinite
Jeffrey Krausman	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Boyden-Hull Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boyden-Hull Community School District (the District), Hull, Iowa, 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.

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.

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 38 through 40 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 who 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic 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 taken as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

February 25, 2014
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boyden-Hull Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities 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 revenues increased from \$6,236,521 in fiscal year 2012 to \$6,359,143 in fiscal year 2013, and General Fund expenditures increased from \$5,793,237 in fiscal year 2012 to \$6,138,408 in fiscal year 2013. The District's General Fund balance increased from \$1,111,574 in fiscal year 2012 to \$1,341,099 in fiscal year 2013, a 20.7 percent increase.
- The increase in General Fund revenues was primarily attributable to an increase in state source revenues from increased enrollment and the state's allowable growth. The increase in General Fund expenditures was mainly due to expected inflationary increases in all costs including salaries and benefits.

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 the District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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 Funds.

Reporting the District's Financial Activities

Government-Wide Financial Statements - The government-wide financial 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 revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net 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 is 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.

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 District's school nutrition program 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 and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds.

1. 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 that are 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. **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 revenues, expenses and changes in fund net position and a statement of cash flows.

3. **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others. The District's agency funds include the employee flex cafeteria plan and the employee pop money. The District is responsible for ensuring the 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 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, if applicable.

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-1 (In Thousands)
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Percentage</u>
Current and other assets	\$ 5,747	\$ 5,357	\$ 11	\$ 29	\$ 5,758	\$ 5,386	6.9%
Capital assets, net	<u>5,470</u>	<u>5,472</u>	<u>21</u>	<u>26</u>	<u>5,491</u>	<u>5,498</u>	(0.1%)
Total assets	<u>\$ 11,217</u>	<u>\$ 10,829</u>	<u>\$ 32</u>	<u>\$ 55</u>	<u>\$ 11,249</u>	<u>\$ 10,884</u>	<u>3.4%</u>
Long-term liabilities	\$ 1,942	\$ 2,323	\$ -	\$ -	\$ 1,942	\$ 2,323	(16.4%)
Other liabilities	<u>2,843</u>	<u>2,722</u>	<u>9</u>	<u>38</u>	<u>2,852</u>	<u>2,760</u>	<u>3.3%</u>
Total liabilities	<u>\$ 4,785</u>	<u>\$ 5,045</u>	<u>\$ 9</u>	<u>\$ 38</u>	<u>\$ 4,794</u>	<u>\$ 5,083</u>	<u>(5.7%)</u>
Net position:							
Net investment in capital assets	\$ 3,840	\$ 3,408	\$ 21	\$ 26	\$ 3,861	\$ 3,434	12.4%
Restricted	1,540	1,439	-	-	1,540	1,439	7.0%
Unrestricted	<u>1,052</u>	<u>937</u>	<u>2</u>	<u>(9)</u>	<u>1,054</u>	<u>928</u>	<u>13.6%</u>
Total net position	<u>\$ 6,432</u>	<u>\$ 5,784</u>	<u>\$ 23</u>	<u>\$ 17</u>	<u>\$ 6,455</u>	<u>\$ 5,801</u>	<u>11.3%</u>

The District's total net position increased 11.3 percent or approximately \$654,000, from the prior year. The largest portion of the District's net position is invested in capital (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt and increased due to the purchase of additional capital assets and debt payments. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$101,000, or 7.0 percent, over the prior year due to slight increases in both the Capital Projects Funds and Categorical Funding.

Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net position increased approximately \$126,000 or 13.6 percent, over the prior year due to the District's ability to keep general fund expenditures less than general fund revenues again this year.

Figure A-2 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-2 (In Thousands)
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for services	\$ 530	\$ 521	\$ 159	\$ 175	\$ 689	\$ 696	(1.0%)
Operating grants, contributions and restricted interest	973	1,062	144	155	1,117	1,217	(8.2%)
Capital grants, contributions and restricted interest	34	69	-	-	34	69	(50.7%)
General revenues:							
Property tax	2,534	2,406	-	-	2,534	2,406	5.3%
Income surtax	336	582	-	-	336	582	(42.3%)
Statewide sales, services and use tax	543	517	-	-	543	517	5.0%
Unrestricted state grants	2,642	2,583	-	-	2,642	2,583	2.3%
Unrestricted investment earnings	21	22	-	1	21	23	(8.7%)
Gain on sale of asset	1	-	-	-	1	-	100.0%
Other	7	1	-	-	7	1	600.0%
Total revenues	<u>\$ 7,621</u>	<u>\$ 7,763</u>	<u>\$ 303</u>	<u>\$ 331</u>	<u>\$ 7,924</u>	<u>\$ 8,094</u>	<u>(2.1%)</u>
Program expenses:							
Instruction	\$ 4,751	\$ 4,581	\$ -	\$ -	\$ 4,751	\$ 4,581	3.7%
Support services	1,849	1,682	-	-	1,849	1,682	9.9%
Non-instructional programs	-	-	297	357	297	357	(16.8%)
Other expenses	373	374	-	-	373	374	(0.3%)
Total expenses	<u>\$ 6,973</u>	<u>\$ 6,637</u>	<u>\$ 297</u>	<u>\$ 357</u>	<u>\$ 7,270</u>	<u>\$ 6,994</u>	<u>4.0%</u>
Change in net position	<u>\$ 648</u>	<u>\$ 1,126</u>	<u>\$ 6</u>	<u>\$ (26)</u>	<u>\$ 654</u>	<u>\$ 1,100</u>	<u>(40.5%)</u>

In fiscal year 2013 property tax and unrestricted state grants account for 65.3 percent of the total revenue (61.6 percent in 2012). The District's expenses primarily relate to instruction and support services, which account for 90.8 percent of the total expenses (89.5 percent in 2012). The District's total revenues were approximately \$7.9 million, of which approximately \$7.6 million was for governmental activities and approximately \$300,000 was for business type activities.

As shown in Figure A-2, the District experienced a 2.1 percent decrease in revenues and a 4.0 percent increase in expenses. Operating and capital grants, contributions and restricted interest decreased approximately \$142,000 in large part due to a one time federal funding source received in the prior year and less monies provided by the Boyden-Hull Foundation. The increase in expenses is primarily due to expected inflationary increases in all costs including salary and benefits.

Governmental Activities - Revenues for governmental activities were \$7,621,353 and expenses were \$6,973,268. The District was able to keep expenses at a level less than revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-3 (In Thousands)
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Percent</u>	<u>Net Cost of Services</u>		<u>Percent</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
			<u>2012-2013</u>			<u>2012-2013</u>
Instruction	\$ 4,751	\$ 4,581	3.7%	\$ 3,571	\$ 3,302	8.1%
Support services	1,849	1,682	9.9%	1,796	1,636	9.8%
Other expenses	373	374	(0.3%)	70	47	48.9%
Totals	<u>\$ 6,973</u>	<u>\$ 6,637</u>	<u>5.1%</u>	<u>\$ 5,437</u>	<u>\$ 4,985</u>	<u>9.1%</u>

- The cost financed by users of the District's programs was \$529,578 (\$521,391 in 2012).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$972,539 (\$1,061,873 in 2012).
- The net cost of governmental activities was financed with \$3,413,606 in property and other taxes (\$3,505,042 in 2012) and \$2,642,097 in unrestricted state grants (\$2,583,420 in 2012).

Business Type Activities - Revenues for business type activities were \$303,334 (\$330,840 in 2012) and expenses were \$297,411 (\$357,042 in 2012). The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The decrease in revenues and expenses were primarily attributable to less participation in the school nutrition program due to federal regulations being implemented.

Individual Fund Analysis

As previously noted, the 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 a combined fund balance of \$2,605,652, above last year's ending fund balances of \$2,339,126. The District's proprietary funds reported end of year net position of \$23,188, above last year's ending net position of \$17,265.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,341,099 in its fund balance at June 30, 2013. The General Fund increased by \$229,525 during fiscal year 2013 due to the District's ability to control their costs and maintain them at a consistent level.

The District's Capital Projects Fund balance increased \$35,602 at the end of fiscal year 2013. This was due to the District beginning larger construction contracts at year end and incurring minimal expenses during the current year.

Proprietary Fund Highlights

Revenues for business type activities were \$303,334 and expenses were \$297,411. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to correct for non-instructional program expenditures being too low.

The District's total revenues were \$222,078 more than total budgeted, a variance of 2.9 percent. The District's total expenditures were \$1,157,089 less than total budgeted, a variance of 13.1 percent due to the District's philosophy to maximize their allowable budget in an attempt to keep from exceeding it.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2013, the District had invested \$5,491,158, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a 0.1 percent decrease from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation/amortization expense for the year was \$361,751.

The original cost of the District's capital assets was \$9,780,792. Governmental funds account for \$9,688,012 with the remainder of \$92,780 accounted for in the Proprietary, School Nutrition Fund.

The largest changes in capital asset activity during the year occurred in the construction in progress and land categories. The significant increases are due to construction contracts for building renovations started near the end of fiscal year 2013 that will be completed in the next fiscal year.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation/Amortization

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Land	\$ 398	\$ 346	\$ -	\$ -	\$ 398	\$ 346	15.0%
Construction in progress	94	-	-	-	94	-	100.0%
Land improvements	101	109	-	-	101	109	(7.3%)
Buildings	1,316	1,347	-	-	1,316	1,347	(2.3%)
Building improvements	2,698	2,764	-	-	2,698	2,764	(2.4%)
Furniture and equipment	642	727	21	26	663	753	(12.0%)
Vehicles	220	172	-	-	220	172	27.9%
Intangibles	1	7	-	-	1	7	(85.7%)
Totals	<u>\$ 5,470</u>	<u>\$ 5,472</u>	<u>\$ 21</u>	<u>\$ 26</u>	<u>\$ 5,491</u>	<u>\$ 5,498</u>	<u>(0.1%)</u>

Long-Term Debt - At June 30, 2013, the District had \$1,942,164 in long-term debt outstanding. This represents a 16.4 percent decrease from the prior year. Additional information about the District's long-term liabilities is presented in Note 6 to the financial statements.

The following table presents the District's long-term liabilities as of June 30, 2013 and 2012:

Figure A-5 (In Thousands)
Outstanding Long-Term Liabilities

	<u>June 30,</u>		<u>Percent Change</u>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
General obligation bonds	\$ 1,285	\$ 1,480	(13.2%)
Revenue bonds	143	286	(50.0%)
Capital lease obligation	202	299	(32.4%)
Net OPEB liability	312	258	20.9%
	<u>\$ 1,942</u>	<u>\$ 2,323</u>	<u>(16.4%)</u>

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 circumstances which could significantly affect its financial health in the future:

- Changes in open enrollment
- Increases in state allowable growth
- Continued increases in staffing costs compared to new funding sources

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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Hoven, Business Manager and District Secretary, Boyden-Hull Community School District, 801 1st Street, Hull, Iowa 51239.

BASIC FINANCIAL STATEMENTS

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 2,505,824	\$ 705	\$ 2,506,529	\$ 128,069
Receivables:				
Property tax:				
Delinquent	24,781	-	24,781	-
Succeeding year	2,628,990	-	2,628,990	-
Accounts	-	908	908	-
Deferred bond issue costs	15,109	-	15,109	-
Due from other governments	527,664	-	527,664	-
Prepaid expenses	44,907	-	44,907	-
Inventories	-	9,152	9,152	-
Capital assets, net of accumulated depreciation/amortization	<u>5,469,736</u>	<u>21,422</u>	<u>5,491,158</u>	<u>-</u>
Total assets	<u>\$ 11,217,011</u>	<u>\$ 32,187</u>	<u>\$ 11,249,198</u>	<u>\$ 128,069</u>
LIABILITIES:				
Accounts payable	\$ 117,049	\$ 526	\$ 117,575	\$ -
Accrued compensated absences	2,286	-	2,286	-
Accrued interest payable	5,263	-	5,263	-
Unearned revenue:				
Succeeding year property taxes	2,628,990	-	2,628,990	-
Other	1,489	8,473	9,962	-
Due to other governments	87,183	-	87,183	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	200,000	-	200,000	-
Revenue bonds payable	142,858	-	142,858	-
Capital lease obligation payable	99,542	-	99,542	-
Portion due after one year:				
General obligation bonds payable	1,085,000	-	1,085,000	-
Capital lease obligation payable	102,500	-	102,500	-
Net OPEB liability	<u>312,264</u>	<u>-</u>	<u>312,264</u>	<u>-</u>
Total liabilities	<u>\$ 4,784,424</u>	<u>\$ 8,999</u>	<u>\$ 4,793,423</u>	<u>\$ -</u>
NET POSITION:				
Net investment in capital assets	\$ 3,839,836	\$ 21,422	\$ 3,861,258	\$ -
Restricted for:				
Categorical funding	280,694	-	280,694	-
Debt service	8,175	-	8,175	-
Capital projects	1,053,619	-	1,053,619	-
Other special revenue purposes	197,496	-	197,496	-
Unrestricted	<u>1,052,767</u>	<u>1,766</u>	<u>1,054,533</u>	<u>128,069</u>
Total net position	<u>\$ 6,432,587</u>	<u>\$ 23,188</u>	<u>\$ 6,455,775</u>	<u>\$ 128,069</u>
Total liabilities and net position	<u>\$ 11,217,011</u>	<u>\$ 32,187</u>	<u>\$ 11,249,198</u>	<u>\$ 128,069</u>

See notes to financial statements.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,195,618	\$ 312,565	\$ 594,329	\$ -
Special instruction	978,844	36,648	58,361	-
Other instruction	<u>576,126</u>	<u>176,831</u>	<u>1,231</u>	-
	<u>\$ 4,750,588</u>	<u>\$ 526,044</u>	<u>\$ 653,921</u>	<u>\$ -</u>
Support services:				
Student services	\$ 95,109	\$ -	\$ -	\$ -
Instructional staff services	67,117	-	-	-
Administration services	939,703	3,534	-	-
Operation and maintenance of plant services	419,599	-	-	-
Transportation services	<u>327,913</u>	<u>-</u>	<u>49,457</u>	<u>-</u>
	<u>\$ 1,849,441</u>	<u>\$ 3,534</u>	<u>\$ 49,457</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 36,340	\$ -	\$ -	\$ 34,397
Long-term debt interest	67,738	-	-	-
AEA flow through	<u>269,161</u>	<u>-</u>	<u>269,161</u>	<u>-</u>
	<u>\$ 373,239</u>	<u>\$ -</u>	<u>\$ 269,161</u>	<u>\$ 34,397</u>
Total governmental activities	<u>\$ 6,973,268</u>	<u>\$ 529,578</u>	<u>\$ 972,539</u>	<u>\$ 34,397</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 297,411	\$ 159,217	\$ 143,797	\$ -
Total business type activities	<u>\$ 297,411</u>	<u>\$ 159,217</u>	<u>\$ 143,797</u>	<u>\$ -</u>
Total	<u>\$ 7,270,679</u>	<u>\$ 688,795</u>	<u>\$ 1,116,336</u>	<u>\$ 34,397</u>
Component unit:				
Foundation	<u>\$ 203,291</u>	<u>\$ -</u>	<u>\$ 120,564</u>	<u>\$ -</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Debt service				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Gain on sale of asset				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				
See notes to financial statements.				

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Component Unit</u> <u>Foundation</u>
\$ (2,288,724)	\$ -	\$ (2,288,724)	
(883,835)	-	(883,835)	
<u>(398,064)</u>	<u>-</u>	<u>(398,064)</u>	
\$ <u>(3,570,623)</u>	\$ <u>-</u>	\$ <u>(3,570,623)</u>	
\$ (95,109)	\$ -	\$ (95,109)	
(67,117)	-	(67,117)	
(936,169)	-	(936,169)	
(419,599)	-	(419,599)	
<u>(278,456)</u>	<u>-</u>	<u>(278,456)</u>	
\$ <u>(1,796,450)</u>	\$ <u>-</u>	\$ <u>(1,796,450)</u>	
(1,943)	\$ -	\$ (1,943)	
(67,738)	-	(67,738)	
-	-	-	
\$ <u>(69,681)</u>	\$ <u>-</u>	\$ <u>(69,681)</u>	
\$ <u>(5,436,754)</u>	\$ <u>-</u>	\$ <u>(5,436,754)</u>	
\$ -	\$ 5,603	\$ 5,603	
\$ -	\$ 5,603	\$ 5,603	
\$ <u>(5,436,754)</u>	\$ <u>5,603</u>	\$ <u>(5,431,151)</u>	
		\$ <u>(82,727)</u>	
\$ 2,118,360	\$ -	\$ 2,118,360	\$ -
105,196	-	105,196	-
135,925	-	135,925	-
174,520	-	174,520	-
336,096	-	336,096	-
543,509	-	543,509	-
2,642,097	-	2,642,097	-
21,382	320	21,702	196
1,264	-	1,264	-
<u>6,490</u>	<u>-</u>	<u>6,490</u>	<u>-</u>
\$ <u>6,084,839</u>	\$ <u>320</u>	\$ <u>6,085,159</u>	\$ <u>196</u>
\$ 648,085	\$ 5,923	\$ 654,008	\$ (82,531)
<u>5,784,502</u>	<u>17,265</u>	<u>5,801,767</u>	<u>210,600</u>
\$ <u>6,432,587</u>	\$ <u>23,188</u>	\$ <u>6,455,775</u>	\$ <u>128,069</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 1,389,228	\$ 904,571	\$ 212,025	\$ 2,505,824
Receivables:				
Property tax:				
Delinquent	20,984	1,206	2,591	24,781
Succeeding year	2,081,358	168,526	379,106	2,628,990
Due from other funds	-	74,363	-	74,363
Due from other governments	374,631	153,033	-	527,664
Prepaid expenses	44,907	-	-	44,907
	<u>\$ 3,911,108</u>	<u>\$ 1,301,699</u>	<u>\$ 593,722</u>	<u>\$ 5,806,529</u>
Total assets				
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 98,813	\$ 14,554	\$ 3,682	\$ 117,049
Due to other funds	74,363	-	-	74,363
Due to other governments	87,183	-	-	87,183
Deferred revenue:				
Succeeding year property tax	2,081,358	168,526	379,106	2,628,990
Other	228,292	65,000	-	293,292
	<u>\$ 2,570,009</u>	<u>\$ 248,080</u>	<u>\$ 382,788</u>	<u>\$ 3,200,877</u>
Total liabilities				
Fund balances:				
Nonspendable:				
Prepaid expenses	\$ 44,907	\$ -	\$ -	\$ 44,907
Restricted for:				
Categorical funding	280,694	-	-	280,694
Debt service	-	-	13,438	13,438
Management levy purposes	-	-	116,550	116,550
Student activities	-	-	80,946	80,946
School infrastructure	-	601,680	-	601,680
Physical plant and equipment	-	451,939	-	451,939
Unassigned	1,015,498	-	-	1,015,498
	<u>\$ 1,341,099</u>	<u>\$ 1,053,619</u>	<u>\$ 210,934</u>	<u>\$ 2,605,652</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 3,911,108</u>	<u>\$ 1,301,699</u>	<u>\$ 593,722</u>	<u>\$ 5,806,529</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2013

Total fund balances of governmental funds	\$ 2,605,652
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,469,736
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	15,109
Assets recognized in the statement of net position but deferred in the governmental funds.	291,803
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.	(5,263)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(2,286)
Long-term liabilities, including bonds payable, capital lease obligations and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,942,164)</u>
Net position of governmental activities	<u>\$ 6,432,587</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,378,628	\$ 753,797	\$ 279,716	\$ 3,412,141
Tuition	247,966	-	-	247,966
Other	118,110	38,860	180,419	337,389
State sources	3,385,342	64	133	3,385,539
Federal sources	229,097	-	-	229,097
Total revenues	<u>\$ 6,359,143</u>	<u>\$ 792,721</u>	<u>\$ 460,268</u>	<u>\$ 7,612,132</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,998,998	\$ 19,943	\$ 29,858	\$ 3,048,799
Special instruction	926,715	-	-	926,715
Other instruction	391,612	-	169,555	561,167
	<u>\$ 4,317,325</u>	<u>\$ 19,943</u>	<u>\$ 199,413</u>	<u>\$ 4,536,681</u>
Support services:				
Student services	\$ 90,044	\$ -	\$ -	\$ 90,044
Instructional staff services	63,542	-	-	63,542
Administration services	710,003	44,808	86,356	841,167
Operation and maintenance of plant services	383,597	22,075	-	405,672
Transportation services	304,736	107,276	-	412,012
	<u>\$ 1,551,922</u>	<u>\$ 174,159</u>	<u>\$ 86,356</u>	<u>\$ 1,812,437</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 234,978	\$ -	\$ 234,978
Long-term debt:				
Principal	-	-	434,526	434,526
Interest and fiscal charges	-	-	66,613	66,613
AEA flow through	269,161	-	-	269,161
	<u>\$ 269,161</u>	<u>\$ 234,978</u>	<u>\$ 501,139</u>	<u>\$ 1,005,278</u>
Total expenditures	<u>\$ 6,138,408</u>	<u>\$ 429,080</u>	<u>\$ 786,908</u>	<u>\$ 7,354,396</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 220,735</u>	<u>\$ 363,641</u>	<u>\$ (326,640)</u>	<u>\$ 257,736</u>
Other financing sources (uses):				
Sale of capital assets	\$ 2,300	\$ -	\$ -	\$ 2,300
Insurance recoveries	6,490	-	-	6,490
Operating transfers in	-	-	328,039	328,039
Operating transfers out	-	(328,039)	-	(328,039)
Total other financing sources (uses)	<u>\$ 8,790</u>	<u>\$ (328,039)</u>	<u>\$ 328,039</u>	<u>\$ 8,790</u>
Change in fund balances	\$ 229,525	\$ 35,602	\$ 1,399	\$ 266,526
Fund balances beginning of year	<u>1,111,574</u>	<u>1,018,017</u>	<u>209,535</u>	<u>2,339,126</u>
Fund balances end of year	<u>\$ 1,341,099</u>	<u>\$ 1,053,619</u>	<u>\$ 210,934</u>	<u>\$ 2,605,652</u>

See notes to financial statements.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$ 266,526
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:	
Expenditures for capital assets	\$ 355,654
Depreciation/amortization expense	<u>(357,145)</u> (1,491)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	434,526
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,464
Bond issuance costs are reported in the governmental activities, but are not reported in the governmental funds as they do not provide current economic resources.	(3,134)
Cash received on the sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed.	(1,036)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	2,009
Accrued compensated absences are not reported on the modified accrual basis.	3,009
Other post employment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(53,788)</u>
Change in net position of governmental activities	<u>\$ 648,085</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET POSITION - PROPRIETARY FUNDJUNE 30, 2013

	<u>School Nutrition</u>
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 705
Accounts receivable	908
Inventories	<u>9,152</u>
Total current assets	<u>\$ 10,765</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>\$ 21,422</u>
Total noncurrent assets	<u>\$ 21,422</u>
 Total assets	 <u><u>\$ 32,187</u></u>
 LIABILITIES:	
Accounts payable	\$ 526
Deferred revenue	<u>8,473</u>
Total current liabilities	<u>\$ 8,999</u>
Total liabilities	<u>\$ 8,999</u>
 NET POSITION:	
Invested in capital assets	\$ 21,422
Unrestricted	<u>1,766</u>
Total net position	<u>\$ 23,188</u>
 Total liabilities and net position	 <u><u>\$ 32,187</u></u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>159,217</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Purchased services	\$ 938
Food services and supplies	291,867
Depreciation	<u>4,606</u>
Total operating expenses	\$ <u>297,411</u>
Operating loss	\$ <u>(138,194)</u>
Non-operating revenues:	
Interest income	\$ 320
State sources	2,602
Federal sources	<u>141,195</u>
Total non-operating revenues	\$ <u>144,117</u>
Increase in net position	\$ 5,923
Net position beginning of year	<u>17,265</u>
Net position end of year	<u>\$ 23,188</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 159,642
Cash paid to suppliers for goods or services	<u>(299,832)</u>
Net cash used by operating activities	<u>\$ (140,190)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,602
Federal grants received	<u>119,346</u>
Net cash provided by non-capital financing activities	<u>\$ 121,948</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 320</u>
Net decrease in cash, cash equivalents and pooled investments	\$ (17,922)
Cash, cash equivalents and pooled investments beginning of year	<u>18,627</u>
Cash, cash equivalents and pooled investments end of year	<u><u>\$ 705</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (138,194)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,544
Depreciation	4,606
Decrease in prepaid expenses	744
Decrease in inventories	3,848
Increase in accounts receivable	(908)
Decrease in accounts payable	(30,163)
Increase in deferred revenues	<u>1,333</u>
Net cash used by operating activities	<u><u>\$ (140,190)</u></u>
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2013, the District received \$21,849 of federal commodities.	

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDJUNE 30, 2013

ASSETS:

Cash, cash equivalents and pooled investments

\$ 24,362

Total assets

\$ 24,362

LIABILITIES:

Due to others

\$ 24,362

Total liabilities

\$ 24,362

NET POSITION:

Unrestricted

\$ -

Total net position

\$ -

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Boyden-Hull Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. The geographic areas served include the cities of Boyden and Hull, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

- A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, 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 GASB 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.

Discretely Presented Component Unit - In August 1997, the District established the Boyden-Hull Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Boyden-Hull Community School District as a discretely presented component unit for the year ended June 30, 2013. Complete financial statements are on file at the District.

Jointly Governed Organizations - The District participates in a jointly governed organization that provide 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 Sioux County Assessor's Conference Board.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds and capital leases attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Consist 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 revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (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 revenues are reported instead as general revenues.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 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 revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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 reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Agency Funds are used to account for assets held by the District as an agent for individuals. The Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. 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. Revenues are 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.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, 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, compensated absences, and special termination benefits 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. 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 revenues.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 revenues 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 revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable 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 governmental funds is 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 that 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.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent 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.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, 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 costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and building improvements	50
Improvements other than buildings	20
Intangibles	5-10
Vehicles, furniture and equipment	5-15

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Deferred Revenue and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means 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 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.

Unearned revenue in 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 and unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 not in spendable form or amounts that are legally or contractually required to be maintained intact.

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.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, no expenditures exceeded the amount budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at 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.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$20,072 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 and Poor's Financial Services.

NOTE 3 - INTERFUND TRANSFERS:

During the year ended June 30, 2013, \$328,039 was transferred from the Capital Projects Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

NOTE 4 - DUE FROM AND DUE TO OTHER FUNDS:

During the year ended June 30, 2013, \$74,363 in income surtaxes was deposited into the General Fund and was not transferred to the Physical Plant and Equipment Levy Fund before year end. The balance is to be transferred by June 30, 2014.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 345,596	\$ 52,055	\$ -	\$ 397,651
Construction in progress	-	<u>93,847</u>	-	<u>93,847</u>
Total capital assets not being depreciated	<u>\$ 345,596</u>	<u>\$ 145,902</u>	<u>\$ -</u>	<u>\$ 491,498</u>
Capital assets being depreciated/amortized:				
Land improvements	\$ 598,379	\$ -	\$ -	\$ 598,379
Buildings	1,826,681	-	-	1,826,681
Building improvements	4,425,532	30,975	-	4,456,507
Furniture and equipment	1,334,380	71,501	9,606	1,396,275
Vehicles	797,398	107,276	8,900	895,774
Intangibles	<u>22,898</u>	<u>-</u>	<u>-</u>	<u>22,898</u>
Total capital assets being depreciated/amortized	<u>\$ 9,005,268</u>	<u>\$ 209,752</u>	<u>\$ 18,506</u>	<u>\$ 9,196,514</u>
Less accumulated depreciation/amortization for:				
Land improvements	\$ 489,767	\$ 7,824	\$ -	\$ 497,591
Buildings	479,386	31,096	-	510,482
Building improvements	1,661,119	97,555	-	1,758,674
Furniture and equipment	607,267	155,653	8,570	754,350
Vehicles	625,651	58,943	8,900	675,694
Intangibles	<u>15,411</u>	<u>6,074</u>	<u>-</u>	<u>21,485</u>
Total accumulated depreciation/amortization	<u>\$ 3,878,601</u>	<u>\$ 357,145</u>	<u>\$ 17,470</u>	<u>\$ 4,218,276</u>
Total capital assets being depreciated/amortized, net	<u>\$ 5,126,667</u>	<u>\$ (147,393)</u>	<u>\$ 1,036</u>	<u>\$ 4,978,238</u>
Total governmental activities capital assets, net	<u>\$ 5,472,263</u>	<u>\$ (1,491)</u>	<u>\$ 1,036</u>	<u>\$ 5,469,736</u>
Business type activities:				
Furniture and equipment	\$ 92,780	\$ -	\$ -	\$ 92,780
Less accumulated depreciation	<u>66,752</u>	<u>4,606</u>	<u>-</u>	<u>71,358</u>
Business type activities capital assets, net	<u>\$ 26,028</u>	<u>\$ (4,606)</u>	<u>\$ -</u>	<u>\$ 21,422</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 169,819
Special	52,129
Other	31,566

Support services:

Student	5,065
Instructional staff	3,574
Administration	48,996
Operation and maintenance of plant	22,820
Transportation	<u>23,176</u>

Total depreciation/amortization
expense - governmental activities \$ 357,145

Business type activities:

Food service operations	<u>\$ 4,606</u>
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NOTE 6 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation school refunding bonds	\$ 1,480,000	\$ -	\$ 195,000	\$ 1,285,000	\$ 200,000
Revenue bonds	285,715	-	142,857	142,858	142,858
Capital lease obligation	298,711	-	96,669	202,042	99,542
Net OPEB liability	<u>258,476</u>	<u>53,788</u>	-	<u>312,264</u>	-
Total	<u>\$ 2,322,902</u>	<u>\$ 53,788</u>	<u>\$ 434,526</u>	<u>\$ 1,942,164</u>	<u>\$ 442,400</u>

General Obligation School Refunding Bonds - 2009 - In order to obtain more favorable interest rates, in July 2009 the District issued \$2,045,000 General Obligation Bonds (refunding), to advance refund \$2,000,000 of the District's previously issued and outstanding general obligation bonds with interest rates ranging between 4.30 and 4.75 percent. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$125,432 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$97,080.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

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

School Refunding Bond Issue of 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	2.60%	\$ 200,000	\$ 42,345	\$ 242,345
2015	3.00%	205,000	37,145	242,145
2016	3.15%	210,000	30,995	240,995
2017	3.40%	215,000	24,380	239,380
2018	3.70%	220,000	17,070	237,070
Thereafter	3.80%	235,000	8,930	243,930
		\$ 1,285,000	\$ 160,865	\$ 1,445,865

Revenue Bonds - Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of 2007				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.75%	\$ 142,858	\$ 3,393	\$ 146,251

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,000,000 bonds issued in April 2007. The bonds were issued for the purpose of financing a portion of the costs of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$146,251. For the current year, principal and interest paid on the bonds totaled \$153,036 and total statewide sales, services and use tax revenues were \$543,509.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

- b) An amount necessary to make the next scheduled bond payment shall be deposited in the Sinking Fund.
- c) Any monies remaining in the project account after the required transfer to the Sinking Fund may be used for any lawful purpose.

The District maintained adequate balances in the District's Capital Project Fund account and made payments for the purposes of issuance during the year ended June 30, 2013.

Capital Lease - On August 7, 2011, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was \$398,381 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

<u>Capital Lease Obligation</u>				
<u>Year Ending</u>	<u>Interest</u>			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2.95%	99,542	5,231	104,773
2015	2.95%	102,500	2,273	104,773
		<u>\$ 202,042</u>	<u>\$ 7,504</u>	<u>\$ 209,546</u>

NOTE 7 - 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 percent of their annual covered salary and the District is required to contribute 8.67 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$319,702, \$286,429 and \$244,236 respectively, equal to the required contributions for each year.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 78 active and 3 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 Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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	\$ 82,201
Interest on net OPEB obligation	11,631
Adjustment to annual required contribution	<u>(15,868)</u>
Annual OPEB cost	\$ 77,964
Contributions made	<u>(24,176)</u>
Increase in net OPEB obligation	\$ 53,788
Net OPEB obligation beginning of year	<u>258,476</u>
Net OPEB obligation end of year	<u>\$ 312,264</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

For the year ended June 30, 2013, the District contributed \$24,176 to the medical plan. Plan members eligible for benefits contributed \$23,271, or 5.7 percent of the premium costs.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 158,315	44.86%	\$ 87,292
2011	157,115	45.20%	173,384
2012	156,115	45.49%	258,476
2013	77,964	31.01%	312,264

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$474,999, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$474,999. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,400,000 and the ratio of the UAAL to covered payroll was 13.9 percent. 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 health care 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year 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.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 7 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 1 percent each year until reaching the 5 percent ultimate trend rate. An inflation rate of 3 percent is assumed for the purpose of this computation.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 60, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$1,168 per month for retirees. The salary increase rate was assumed to be 4.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9 - RISK MANAGEMENT:

The 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.

NOTE 10 - AREA EDUCATION AGENCY:

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 \$269,161 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.

NOTE 11 - CONSTRUCTION COMMITMENTS:

The District has entered into various construction contracts for building improvements totaling \$767,870. As of June 30, 2013, \$89,205 of costs has been incurred against the contracts. The balance of \$678,665 remaining at June 30, 2013 will be paid as work on the projects progress.

REQUIRED SUPPLEMENTARY INFORMATION

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 3,997,496	\$ 159,537	\$ 4,157,033
State sources	3,385,539	2,602	3,388,141
Federal sources	<u>229,097</u>	<u>141,195</u>	<u>370,292</u>
Total revenues	<u>\$ 7,612,132</u>	<u>\$ 303,334</u>	<u>\$ 7,915,466</u>
Expenditures/Expenses:			
Instruction	\$ 4,536,681	\$ -	\$ 4,536,681
Support services	1,812,437	-	1,812,437
Non-instructional programs	-	297,411	297,411
Other expenditures	<u>1,005,278</u>	<u>-</u>	<u>1,005,278</u>
Total expenditures/expenses	<u>\$ 7,354,396</u>	<u>\$ 297,411</u>	<u>\$ 7,651,807</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	\$ 257,736	\$ 5,923	\$ 263,659
Other financing sources, net	<u>8,790</u>	<u>-</u>	<u>8,790</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses	\$ 266,526	\$ 5,923	\$ 272,449
Balances beginning of year	<u>2,339,126</u>	<u>17,265</u>	<u>2,356,391</u>
Balances end of year	<u>\$ 2,605,652</u>	<u>\$ 23,188</u>	<u>\$ 2,628,840</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 4,071,820	\$ 4,071,820	\$ 85,213
3,403,373	3,403,373	(15,232)
<u>218,195</u>	<u>218,195</u>	<u>152,097</u>
\$ <u>7,693,388</u>	\$ <u>7,693,388</u>	\$ <u>222,078</u>
\$ 5,589,384	\$ 5,589,384	\$ 1,052,703
1,819,853	1,819,853	7,416
175,061	332,000	34,589
<u>1,067,659</u>	<u>1,067,659</u>	<u>62,381</u>
\$ <u>8,651,957</u>	\$ <u>8,808,896</u>	\$ <u>1,157,089</u>
\$ <u>(958,569)</u>	\$ <u>(1,115,508)</u>	\$ <u>1,379,167</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 the district foundation, a discretely presented component unit, and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$156,939.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>
2010	July 1, 2009	\$ -	\$ 1,017	\$ 1,017	0.0%
2011	July 1, 2009	\$ -	\$ 1,017	\$ 1,017	0.0%
2012	July 1, 2009	\$ -	\$ 1,017	\$ 1,017	0.0%
2013	July 1, 2012	\$ -	\$ 475	\$ 475	0.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 115,508	\$ 84,628	\$ 11,889	\$ 212,025
Receivables:				
Property tax:				
Delinquent	1,042	-	1,549	2,591
Succeeding year	<u>166,027</u>	<u>-</u>	<u>213,079</u>	<u>379,106</u>
Total assets	<u>\$ 282,577</u>	<u>\$ 84,628</u>	<u>\$ 226,517</u>	<u>\$ 593,722</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ -	\$ 3,682	\$ -	\$ 3,682
Deferred revenue:				
Succeeding year property tax	<u>166,027</u>	<u>-</u>	<u>213,079</u>	<u>379,106</u>
Total liabilities	<u>\$ 166,027</u>	<u>\$ 3,682</u>	<u>\$ 213,079</u>	<u>\$ 382,788</u>
Fund balances:				
Restricted for:				
Management levy purposes	\$ 116,550	\$ -	\$ -	\$ 116,550
Student activities	-	80,946	-	80,946
Debt service	<u>-</u>	<u>-</u>	<u>13,438</u>	<u>13,438</u>
Total fund balances	<u>\$ 116,550</u>	<u>\$ 80,946</u>	<u>\$ 13,438</u>	<u>\$ 210,934</u>
Total liabilities and fund balances	<u>\$ 282,577</u>	<u>\$ 84,628</u>	<u>\$ 226,517</u>	<u>\$ 593,722</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 105,196	\$ -	\$ 174,520	\$ 279,716
Other	3,533	176,886	-	180,419
State sources	51	-	82	133
Total revenues	<u>\$ 108,780</u>	<u>\$ 176,886</u>	<u>\$ 174,602</u>	<u>\$ 460,268</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 29,858	\$ -	\$ -	\$ 29,858
Other instruction	-	169,555	-	169,555
	<u>\$ 29,858</u>	<u>\$ 169,555</u>	<u>\$ -</u>	<u>\$ 199,413</u>
Support services:				
Administration services	\$ 86,356	\$ -	\$ -	\$ 86,356
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 434,526	\$ 434,526
Interest and fiscal charges	-	-	66,613	66,613
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501,139</u>	<u>\$ 501,139</u>
Total expenditures	<u>\$ 116,214</u>	<u>\$ 169,555</u>	<u>\$ 501,139</u>	<u>\$ 786,908</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (7,434)	\$ 7,331	\$ (326,537)	\$ (326,640)
Other financing sources:				
Operating transfers in	\$ -	\$ -	\$ 328,039	\$ 328,039
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,039</u>	<u>\$ 328,039</u>
Changes in fund balances	\$ (7,434)	\$ 7,331	\$ 1,502	\$ 1,399
Fund balances beginning of year	123,984	73,615	11,936	209,535
Fund balances end of year	<u>\$ 116,550</u>	<u>\$ 80,946</u>	<u>\$ 13,438</u>	<u>\$ 210,934</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2013

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 521,250	\$ 383,321	\$ 904,571
Receivables:			
Property tax:			
Delinquent	-	1,206	1,206
Succeeding year	-	168,526	168,526
Due from other funds	-	74,363	74,363
Due from other governments	<u>88,033</u>	<u>65,000</u>	<u>153,033</u>
Total assets	<u>\$ 609,283</u>	<u>\$ 692,416</u>	<u>\$ 1,301,699</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 7,603	\$ 6,951	\$ 14,554
Deferred revenue:			
Succeeding year property tax	-	168,526	168,526
Other	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Total liabilities	<u>\$ 7,603</u>	<u>\$ 240,477</u>	<u>\$ 248,080</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 601,680	\$ -	\$ 601,680
Physical plant and equipment	<u>-</u>	<u>451,939</u>	<u>451,939</u>
	<u>\$ 601,680</u>	<u>\$ 451,939</u>	<u>\$ 1,053,619</u>
Total liabilities and fund balances	<u>\$ 609,283</u>	<u>\$ 692,416</u>	<u>\$ 1,301,699</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2013

	<u>Capital Projects</u>		
	<u>Statewide</u>	<u>Physical</u>	
	<u>Sales, Services</u>	<u>Plant and</u>	
	<u>and Use Tax</u>	<u>Equipment</u>	
		<u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 543,509	\$ 210,288	\$ 753,797
Other	2,316	36,544	38,860
State sources	-	64	64
Total revenues	<u>\$ 545,825</u>	<u>\$ 246,896</u>	<u>\$ 792,721</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	<u>\$ -</u>	<u>\$ 19,943</u>	<u>\$ 19,943</u>
Support services:			
Administration services	\$ -	\$ 44,808	\$ 44,808
Operation and maintenance of plant services	-	22,075	22,075
Transportation services	-	107,276	107,276
	<u>\$ -</u>	<u>\$ 174,159</u>	<u>\$ 174,159</u>
Other expenditures:			
Facilities acquisition	<u>\$ 97,012</u>	<u>\$ 137,966</u>	<u>\$ 234,978</u>
Total expenditures	<u>\$ 97,012</u>	<u>\$ 332,068</u>	<u>\$ 429,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 448,813</u>	<u>\$ (85,172)</u>	<u>\$ 363,641</u>
Other financing uses:			
Operating transfers out	<u>\$ (328,039)</u>	<u>\$ -</u>	<u>\$ (328,039)</u>
Total other financing uses	<u>\$ (328,039)</u>	<u>\$ -</u>	<u>\$ (328,039)</u>
Changes in fund balances	<u>\$ 120,774</u>	<u>\$ (85,172)</u>	<u>\$ 35,602</u>
Fund balances beginning of year	<u>\$ 480,906</u>	<u>\$ 537,111</u>	<u>\$ 1,018,017</u>
Fund balances end of year	<u>\$ 601,680</u>	<u>\$ 451,939</u>	<u>\$ 1,053,619</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2013

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Athletic general	\$ -	\$ 18,401	\$ 5,679	\$ (8,027)	\$ 4,695
Band	1,465	467	1,667	-	265
Band uniform maintenance	581	330	276	-	635
Baseball	-	-	6,568	6,568	-
Boys basketball	-	10,980	10,006	-	974
Boys track	-	1,567	2,208	5,819	5,178
Cheerleaders	854	4,434	3,045	-	2,243
Choir robes	2,082	360	-	(567)	1,875
Class of 2013	1,128	367	861	(634)	-
Class of 2014	1,285	14,620	11,074	-	4,831
Class of 2015	1,506	30	-	1,302	2,838
Class of 2016	1,566	44	-	(308)	1,302
Cross country	-	-	1,977	2,244	267
Elementary band	13	90	128	25	-
Elementary contributions and donations	6,421	-	-	(3,632)	2,789
Elementary student council	5,004	5,312	4,872	-	5,444
Elementary student miscellaneous	127	12	-	-	139
Family Career Community Leader of America	5,179	2,654	2,192	-	5,641
Football	-	13,892	14,510	618	-
Future Farmers of America	7,805	31,175	26,757	(325)	11,898
Gallery photo fund	-	1,373	881	-	492
General miscellaneous	-	-	746	746	-
Girls basketball	-	7,525	7,728	203	-
Girls track	-	1,567	4,450	2,883	-
Golf	-	-	3,037	8,371	5,334
High school student council	2,628	3,665	3,876	-	2,417
Interest	453	55	-	(221)	287
Junior high band	485	443	168	-	760
Junior high student council	41	-	-	-	41
Magazine sales	-	5,847	3,244	(2,603)	-
National Honor Society	102	-	-	-	102
Other	-	-	-	110	110
Pep bus/students	3	1,610	1,610	-	3
Pep club	8,083	11,461	5,282	(14,000)	262
Quiz bowl	731	520	652	-	599
Recycling	5,887	4,513	6,900	(38)	3,462
Resale elementary band	-	585	598	13	-
Resale high school band	251	-	-	-	251
Resale industrial arts	313	1,437	2,075	325	-
Resale marketing	1,817	294	585	-	1,526
School play	2,738	1,310	663	(1,003)	2,382
Secondary contributions and donations	2,110	633	975	(1,714)	54
Sixth grade trip	8,388	9,315	9,592	(5,480)	2,631
Softball	-	513	2,943	4,014	1,584
Spanish club	1,169	-	-	-	1,169
Speech	7	150	1,160	1,003	-
Swing show	-	2,180	-	-	2,180
Vocal	415	551	1,533	567	-
Volleyball	-	4,240	4,893	653	-
Wrestling	-	-	3,088	3,088	-
Yearbook	1,296	12,364	11,056	-	2,604
Yearbook - gallery	1,682	-	-	-	1,682
Total	\$ 73,615	\$ 176,886	\$ 169,555	\$ -	\$ 80,946

See accompanying independent auditor's report.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,412,141	\$ 3,214,703	\$ 3,041,032	\$ 2,654,565	\$ 2,587,833	\$ 2,412,950	\$ 2,403,753	\$ 2,293,349	\$ 2,298,543	\$ 2,198,648
Tuition	247,966	266,152	316,238	312,532	307,400	294,823	264,514	294,581	251,351	216,390
Other	337,389	346,774	330,454	280,083	280,218	374,147	389,169	306,137	247,944	212,844
State sources	3,385,539	3,335,866	3,079,186	2,837,500	3,254,603	3,151,642	2,695,903	2,903,503	2,685,069	2,303,009
Federal sources	229,097	309,428	289,147	608,627	241,191	219,844	264,126	292,622	270,810	181,202
Other financing sources (uses)	8,790	414,948	(1,836)	53,162	28,114	10,751	24,494	18,845	-	-
Total	<u>\$ 7,620,922</u>	<u>\$ 7,887,871</u>	<u>\$ 7,054,221</u>	<u>\$ 6,746,469</u>	<u>\$ 6,699,359</u>	<u>\$ 6,464,157</u>	<u>\$ 6,041,959</u>	<u>\$ 6,109,037</u>	<u>\$ 5,753,717</u>	<u>\$ 5,112,093</u>
Expenditures:										
Instruction:										
Regular instruction	\$ 3,048,799	\$ 3,434,096	\$ 2,780,360	\$ 2,816,106	\$ 2,642,436	\$ 2,640,587	\$ 2,383,420	\$ 2,428,834	\$ 2,314,176	\$ 2,104,063
Special instruction	926,715	863,791	847,500	854,291	842,337	932,062	882,231	769,968	804,400	741,219
Other instruction	561,167	535,850	519,609	535,171	543,132	549,878	488,860	457,653	336,175	289,069
Support services:										
Student services	90,044	69,075	74,236	63,960	140,641	126,826	118,532	115,089	64,445	67,200
Instructional staff services	63,542	59,260	71,308	71,651	67,331	48,057	46,867	181,236	108,945	137,832
Administration services	841,167	767,447	933,179	802,835	664,964	600,002	581,519	624,745	555,994	505,644
Operation and maintenance										
of plant services	405,672	356,701	389,581	361,994	513,281	492,197	514,328	339,590	344,973	294,707
Transportation services	412,012	280,662	383,626	253,939	340,854	307,360	387,423	206,688	229,499	170,991
Other expenditures:										
Facilities										
acquisition	234,978	96,920	16,606	73,433	265,287	834,261	677,874	166,595	67,055	175,629
Long-term debt:										
Principal	434,526	432,527	322,857	337,857	297,857	287,857	140,000	135,000	125,000	120,000
Interest and fiscal charges	66,613	76,098	82,130	123,780	140,122	155,819	113,058	119,809	126,058	131,957
AEA flow through	269,161	258,850	282,067	282,451	252,631	240,409	233,110	227,179	210,741	198,283
Total	<u>\$ 7,354,396</u>	<u>\$ 7,231,277</u>	<u>\$ 6,703,059</u>	<u>\$ 6,577,468</u>	<u>\$ 6,710,873</u>	<u>\$ 7,215,315</u>	<u>\$ 6,567,222</u>	<u>\$ 5,772,386</u>	<u>\$ 5,287,461</u>	<u>\$ 4,936,594</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

JUNE 30, 2013

	<u>Employee Pop Account</u>	<u>Employee Flex Account</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 6,086	\$ 18,276	\$ 24,362
Total assets	<u>\$ 6,086</u>	<u>\$ 18,276</u>	<u>\$ 24,362</u>
LIABILITIES:			
Due to others	\$ 6,086	\$ 18,276	\$ 24,362
Total liabilities	<u>\$ 6,086</u>	<u>\$ 18,276</u>	<u>\$ 24,362</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>EMPLOYEE POP ACCOUNT</u>				
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 5,827	\$ 2,344	\$ 2,085	\$ 6,086
Total assets	<u>\$ 5,827</u>	<u>\$ 2,344</u>	<u>\$ 2,085</u>	<u>\$ 6,086</u>
LIABILITIES:				
Due to others	\$ 5,827	\$ 2,344	\$ 2,085	\$ 6,086
Total liabilities	<u>\$ 5,827</u>	<u>\$ 2,344</u>	<u>\$ 2,085</u>	<u>\$ 6,086</u>
<u>EMPLOYEE FLEX ACCOUNT</u>				
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 18,537	\$ 74,284	\$ 74,545	\$ 18,276
Total assets	<u>\$ 18,537</u>	<u>\$ 74,284</u>	<u>\$ 74,545</u>	<u>\$ 18,276</u>
LIABILITIES:				
Due to others	\$ 18,537	\$ 74,284	\$ 74,545	\$ 18,276
Total liabilities	<u>\$ 18,537</u>	<u>\$ 74,284</u>	<u>\$ 74,545</u>	<u>\$ 18,276</u>
<u>TOTAL</u>				
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 24,364	\$ 76,628	\$ 76,630	\$ 24,362
Total assets	<u>\$ 24,364</u>	<u>\$ 76,628</u>	<u>\$ 76,630</u>	<u>\$ 24,362</u>
LIABILITIES:				
Due to others	\$ 24,364	\$ 76,628	\$ 76,630	\$ 24,362
Total liabilities	<u>\$ 24,364</u>	<u>\$ 76,628</u>	<u>\$ 76,630</u>	<u>\$ 24,362</u>

See accompanying independent auditor's report.



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

To the Board of Education of
Boyden-Hull Community School District

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Boyden-Hull Community School District (the District) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

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.

Boyden-Hull Community School District's Responses to Findings

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of 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 result 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 on compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

February 25, 2014
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to payroll activities. The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions such as by reviewing payroll registers for accuracy by comparing to approve pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 did not exceed the amended certified budget amounts in any of the program functions.
- II-B-13 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 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.
- II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-13 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.
- II-F-13 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- II-K-13 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued):

IV-L-13 Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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		\$ 480,906
Revenues/transfers in:		
Sales tax revenues	\$ 543,509	
Other local revenues	<u>2,316</u>	
		<u>545,825</u>
		\$ 1,026,731
Expenditures/transfers out:		
Transfers to debt service fund	\$ 328,039	
Construction in progress	93,847	
Other	<u>3,165</u>	
		<u>425,051</u>
Ending balance		<u>\$ 601,680</u>

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