

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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Introductory Section



Board of Education and School District Officials

As of June 30, 2014

Name	Title	Term Expires
Board of Education		
(Before September, 2013 Election)		
Dr. Jeffrey Anderson	President	2015
Kirk Leeds	Vice President	2013
Brad O'Neal	Board Member	2015
Dan Tungesvik	Board Member	2013
Jan Westrum	Board Member	2015
Board of Education		
(After September, 2013 Election)		
Dr. Jeffrey Anderson	President	2015
Kirk Leeds	Vice President	2017
Brad O'Neal	Board Member	2015
Jan Westrum	Board Member	2015
Dr. Brian Mehlhaus	Board Member	2017
School Officials		
Dr. Brad Manard	Superintendent	Indefinite
Paulette Newbold, CPA	District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Boone Community School District
Boone, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District, Boone, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion on the Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Discretely Presented Component Unit paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of June 30, 2014, 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 the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 15 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on the financial statements for the years ended June 30, 2007 through June 30, 2011, a qualified opinion on the financial statements for the years ended June 30, 2012 and 2006 and an adverse opinion on the financial statements for the year ended June 30, 2013. The

supplementary information included on pages 44 through 51, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2014 on our consideration of Boone Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
October 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone Community School District is pleased to provide this management's discussion and analysis of its financial statements. This narrative overview and analysis of the District's financial performance is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenue increased 2.8% from \$21,555,301 in fiscal year 2013 to \$22,156,131 in fiscal year 2014 while General Fund expenditures increased 3.5% from \$22,141,433 in fiscal year 2013 to \$22,914,948 in fiscal year 2014. The District's General Fund balance decreased from \$4,409,204 as of the end of fiscal year 2013 to \$3,701,042 as of the end of fiscal year 2014, a 16% decrease.
- The increase in General Fund revenue was primarily attributable to an increase in property tax and income surtax revenue and the receipt of a one year State Aid Funding supplement.
- The increase in General Fund expenditures can be attributed to the increase in negotiated salaries and benefits and an increase in purchased instructional services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Boone Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts. In addition, the schedule of expenditures of federal awards provides details of various programs benefiting the District.

The following diagram, Figure A-1, shows how the various parts of this annual report are arranged and related to one another.

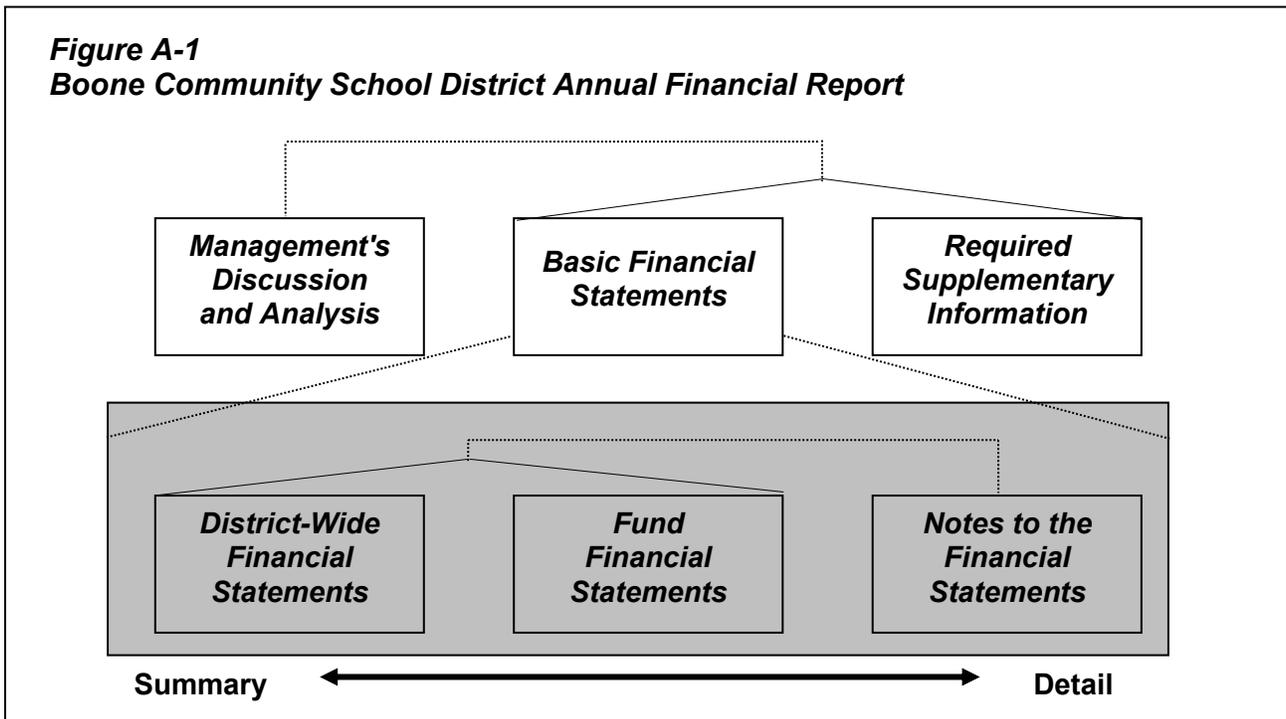


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Figure A-2</i>				
<i>Major Features of the Government-Wide and Fund Financial Statements</i>				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statements of revenue, expenditures and changes in fund balances	Statement of net position Statement of revenue, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon after	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating.

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

Review of BCSD Property Tax Valuations by Year			
Year	Taxable Valuation Without TIF	Increase/ (Decrease) Over Previous Year	Percent Change
FY05	\$321,980,515	\$(25,507,081)	(7.34)%
FY06	330,923,798	8,943,283	2.78 %
FY07	376,972,897	46,049,099	13.92 %
FY08	382,551,700	5,578,803	1.48 %
FY09	397,048,126	14,496,426	3.79 %
FY10	415,002,669	17,954,543	4.52 %
FY11	429,019,784	14,017,115	3.38 %
FY12	425,063,630	(3,956,154)	0.10 %
FY13	439,261,596	14,197,966	3.34 %
FY14	463,487,330	24,225,734	5.51%

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

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

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

Fund Financial Statements

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

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue, such as federal grants.

The District has three types of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

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

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows.

- *Fiduciary funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District *excludes* these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Figure A-3 provides a summary of the District’s net position for the year ended June 30, 2014 compared to June 30, 2013.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and Other Assets	29,437	37,786	368	324	29,805	38,110	(21.8)%
Capital Assets	38,330	30,198	114	138	38,444	30,336	26.7 %
Total Assets	67,767	67,984	482	462	68,249	68,446	(0.3)%
Long-Term Liabilities	36,759	38,277	-	-	36,759	38,277	(4.0)%
Other Liabilities	4,059	4,171	15	14	4,074	4,185	(2.7)%
Total Liabilities	40,818	42,448	15	14	40,833	42,462	(3.8)%
Deferred Inflows of Resources	8,332	7,488	-	-	8,332	7,488	11.3 %
Net Position							
Net investment in capital assets	10,706	8,676	114	138	10,820	8,814	22.8 %
Restricted	4,003	4,734	-	-	4,003	4,734	(15.4)%
Unrestricted	3,908	4,638	353	310	4,261	4,948	(13.9)%
Total Net Position	18,617	18,048	467	448	19,084	18,496	3.2 %

The District’s total net position increased 3.2%, or approximately \$588,000, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District’s total restricted net position decreased by approximately \$731,000, or 15.4%, over the prior year. The decrease was primarily a result of the High School construction in progress project scheduled for completion in August, 2015.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by approximately \$687,000, or 13.9%. This is primarily attributable to the decreased General Fund balance as the District has intentionally funded a portion of General Fund expenditures with carryover fund balance.

Changes in Net Position – Figure A-4 shows a summary of the District’s changes in net position for the fiscal year ended June 30, 2014 as compared to the year ended June 30, 2013.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenue							
Program Revenue							
Charges for service	1,341	1,391	371	376	1,712	1,767	(3.1)%
Operating grants and contributions	3,446	3,371	529	501	3,975	3,872	2.7 %
General Revenue							
Property tax	8,604	8,234	-	-	8,604	8,234	4.5 %
Statewide sales, services and use tax	1,954	1,894	-	-	1,954	1,894	3.2 %
Unrestricted state grants	11,690	11,330	-	-	11,690	11,330	3.2 %
Unrestricted investment earnings	25	8	-	-	25	8	212.5 %
Other	169	48	-	-	169	48	252.1 %
Total Revenue	27,229	26,276	900	877	28,129	27,153	3.6 %
Program Expenses							
Instruction	16,615	16,031	-	-	16,615	16,031	3.6 %
Support services	7,356	7,065	-	-	7,356	7,065	4.1 %
Non-instructional programs	-	-	881	905	881	905	(2.7)%
Other expenses	2,689	2,029	-	-	2,689	2,029	32.5 %
Total Expenses	26,660	25,125	881	905	27,541	26,030	5.8 %
Change in Net Position	569	1,151	19	(28)	588	1,123	(47.6)%
Net Position - Beginning of Year	18,048	16,897	448	476	18,496	17,373	6.5 %
Net Position - End of Year	18,617	18,048	467	448	19,084	18,496	3.2 %

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

The District’s total revenue was approximately \$28.1 million, of which \$27.2 million was for governmental activities and less than \$1 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 3.6% increase in revenue and a 5.8% increase in expenditures. Property tax increased approximately \$370,000 for general purposes and debt service requirements. The increase in expenditures is related to increases in negotiated salaries and benefits and facility construction expenditures.

Governmental Activities

Revenue for governmental activities was \$27,229,156 and expenses were \$26,659,985 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the years ended June 30, 2014 and 2013.

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

	2014	2013	2014	2013
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
Instruction	\$ 16,615	\$ 16,031	\$ 12,720	\$ 12,118
Support Services	7,356	7,065	7,325	7,036
Other Expenses	2,689	2,029	1,828	1,209
Total	\$ 26,660	\$ 25,125	\$ 21,873	\$ 20,363

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,340,561.
- Federal and state governments and users of programs subsidized certain programs with grants and contributions totaling \$3,446,247.
- The net cost of governmental activities was financed with \$10,558,165 in property and other taxes and \$11,689,734 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2014 was \$899,621, representing a 2.5% increase over the prior year, while expenses totaled \$880,606, a 2.8% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenue of this activity is comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$16,145,324, well below last year's ending fund balances of \$25,265,102. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to expenditures for the high school construction project.

Governmental Fund Highlights

- The General Fund reported an overall decrease in its fund balance of \$708,162 at the end of fiscal year 2014 to \$3,701,042. The increase in revenue was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Debt Service Fund balance decreased from \$919,386 at the end of fiscal year 2013 to \$913,091 at the end of fiscal year 2014. Revenue and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance decreased from \$19,113,491 at the end of fiscal year 2013 to \$10,535,177 at the end of fiscal year 2014. This was due to current year construction expenditures.
- The District collects statewide sales, services and use tax revenue and is required to account for this revenue in a separate fund. The District's share of revenue from the statewide sales, services and use tax was \$1,953,969 for fiscal year 2014.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased from \$448,331 to \$467,355 as of June 30, 2014.

BUDGETARY HIGHLIGHTS

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

The District's total revenue was \$68,000 more than total budgeted revenue, a variance of 0.3%. The District received a one-time state aid funding supplement of \$262,104.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had invested \$38.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$817,650.

The largest change in capital asset activity during the year occurred in the construction in progress category as the High School additions and renovations project continues.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	319	319	-	-	319	319	0.0 %
Construction in Progress	14,623	5,819	-	-	14,623	5,819	151.3 %
Buildings	22,681	23,304	-	-	22,681	23,304	(2.7)%
Furniture and Equipment	707	755	114	138	821	893	(8.1)%
Total	38,330	30,197	114	138	38,444	30,335	26.7 %

LONG-TERM DEBT

As of June 30, 2014, the District had a total of \$36,478,310 in general obligation and revenue bonds and other long-term obligations outstanding. This represents a decrease of 3.9% from the prior year total of \$37,975,084. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30, 2014	June 30, 2013	2013-2014
General Obligation Bonds	22,940	23,690	(3.2)%
Revenue Bonds	13,210	13,860	(4.7)%
Early Retirement	-	160	(100.0)%
Net OPEB Liability	328	265	23.8 %
Total	36,478	37,975	(3.9)%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Boone Community School District Board of Education adopted a fiscal management policy in fiscal year 2011. Financial targets for two key school finance indicators, unspent authorized budget and solvency ratio, have been set to closely monitor the current and projected fiscal health of the District. Sustainability is an important goal which will require a spending plan related to budgetary allowable growth each year. Recurring expenses such as salaries and benefits which represent nearly 80% of the General Fund budget, must be scrutinized and adjusted as necessary to maintain the District's fiscal management goals.
- The District's unspent and unrestricted authorized budget balance, or the remaining legal spending authority at the end of a fiscal year, decreased from \$3,000,300 as of June 30, 2013 to \$2,921,499 as of June 30, 2014. This is the most important financial health indicator for the District, and the fiscal management goal is no less than 10% with a target of 15%. The unspent balance ratio decreased from 11.7% as of June 30, 2013 to 11.14% as of June 30, 2014. As the increase in expenditures continues to outpace the increase in new money, this balance will continue to decline unless managed very closely.
- The District's General Fund balance decreased during fiscal year 2014. The General Fund unassigned fund balance decreased from \$4,016,827 as of June 30, 2013 to \$3,307,693 as of June 30, 2014. The District's targeted solvency ratio as of June 30 is a minimum of 15% of that year's revenue. The solvency ratio as of June 30, 2014 is 14.89%, a decrease from 18.6% at June 30, 2013. This balance will decline during the upcoming years due to the inability to assess a cash reserve levy.
- The allowable growth increase for fiscal year 2015 is 4% and fiscal year 2016 has not yet been set. The certified enrollment figures reported in October, 2014, which will be the basis for the District's state funding for fiscal year 2016, decreased by 48 students, or 2.2% less than the current year resulting in the District being on the budget guarantee in FY16. Future enrollment declines are expected to continue.
- The District enters into annual contracts with its two collective bargaining units. Growth in employee wages and benefits has outpaced state funding to schools which has a profound effect on the District's General Fund budget as salaries and benefits remain close to 80% of General Fund expenditures. Zero and two percent allowable growth and declining enrollment continue to have a significant impact on future budget decisions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents.....	\$ 18,577,707	\$ 355,198	\$ 18,932,905
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	73,931	—	73,931
Succeeding year	8,325,629	—	8,325,629
Accounts	3,777	—	3,777
Due from other governments	2,057,921	—	2,057,921
Inventories and prepaid expenses	28,915	12,571	41,486
Unamortized underwriter's discount.....	369,997	—	369,997
Capital assets, net of accumulated depreciation	<u>38,329,954</u>	<u>114,028</u>	<u>38,443,982</u>
Total Assets	<u>67,767,831</u>	<u>481,797</u>	<u>68,249,628</u>
Liabilities			
Accounts payable	1,734,317	900	1,735,217
Salaries and benefits payable.....	1,898,887	13,542	1,912,429
Accrued interest payable	368,607	—	368,607
Due to other governments	57,306	—	57,306
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds payable	755,000	—	755,000
Revenue bonds payable	655,000	—	655,000
Portion Due After One Year			
General obligation bonds payable	22,185,000	—	22,185,000
Revenue bonds payable	12,555,000	—	12,555,000
Unamortized premium on bonds payable.....	280,863	—	280,863
Net OPEB liability	<u>328,310</u>	<u>—</u>	<u>328,310</u>
Total Liabilities	<u>40,818,290</u>	<u>14,442</u>	<u>40,832,732</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	8,325,629	—	8,325,629
Other	<u>6,693</u>	<u>—</u>	<u>6,693</u>
Total Deferred Inflows of Resources	<u>8,332,322</u>	<u>—</u>	<u>8,332,322</u>
Net Position			
Net investment in capital assets	10,706,319	114,028	10,820,347
Restricted for			
Categorical funding	364,434	—	364,434
Management levy.....	784,718	—	784,718
Physical plant and equipment levy	343,788	—	343,788
Student activities	211,296	—	211,296
School infrastructure	1,665,024	—	1,665,024
Debt service	633,618	—	633,618
Unrestricted	<u>3,908,022</u>	<u>353,327</u>	<u>4,261,349</u>
Total Net Position	<u>\$ 18,617,219</u>	<u>\$ 467,355</u>	<u>\$ 19,084,574</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 10,605,716	\$ 898,501	\$ 1,981,930	\$ (7,725,285)	\$ —	\$ (7,725,285)
Special	4,818,837	185,562	492,391	(4,140,884)	—	(4,140,884)
Other	1,190,180	239,885	96,200	(854,095)	—	(854,095)
Total Instruction	<u>16,614,733</u>	<u>1,323,948</u>	<u>2,570,521</u>	<u>(12,720,264)</u>	<u>—</u>	<u>(12,720,264)</u>
Support Services						
Student	849,378	—	—	(849,378)	—	(849,378)
Instructional staff	520,835	—	—	(520,835)	—	(520,835)
Administration	2,746,159	—	—	(2,746,159)	—	(2,746,159)
Operation and maintenance of plant	2,637,994	14,490	—	(2,623,504)	—	(2,623,504)
Transportation	601,626	2,123	14,109	(585,394)	—	(585,394)
Total Support Services	<u>7,355,992</u>	<u>16,613</u>	<u>14,109</u>	<u>(7,325,270)</u>	<u>—</u>	<u>(7,325,270)</u>
Other Expenditures						
Facilities acquisition	618,556	—	—	(618,556)	—	(618,556)
Long-term debt interest and fiscal charges	1,204,337	—	—	(1,204,337)	—	(1,204,337)
AEA flow through	861,617	—	861,617	—	—	—
Depreciation - unallocated	4,750	—	—	(4,750)	—	(4,750)
Total Other Expenditures	<u>2,689,260</u>	<u>—</u>	<u>861,617</u>	<u>(1,827,643)</u>	<u>—</u>	<u>(1,827,643)</u>
Total Governmental Activities	26,659,985	1,340,561	3,446,247	(21,873,177)	—	(21,873,177)
Business-Type Activities						
Noninstructional Programs						
Nutrition services	<u>880,606</u>	<u>371,213</u>	<u>528,408</u>	<u>—</u>	<u>19,015</u>	<u>19,015</u>
Total	\$ 27,540,591	\$ 1,711,774	\$ 3,974,655	(21,873,177)	19,015	(21,854,162)
General Revenue						
Property Tax Levied for						
General purposes				6,701,123	—	6,701,123
Capital outlay				814,873	—	814,873
Debt service				1,088,200	—	1,088,200
Statewide sales and services tax				1,953,969	—	1,953,969
Unrestricted state grants				11,689,734	—	11,689,734
Unrestricted investment earnings				24,861	9	24,870
Other				169,588	—	169,588
Total General Revenue				22,442,348	9	22,442,357
Change in Net Position				569,171	19,024	588,195
Net Position - Beginning of Year				18,048,048	448,331	18,496,379
Net Position - End of Year				\$ 18,617,219	\$ 467,355	\$ 19,084,574

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2014

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
Assets					
Cash and pooled investments.....	\$ 5,725,904	\$ 911,168	\$ 10,877,680	\$ 1,005,372	\$ 18,520,124
Receivables					
Property Tax, Net of Allowance					
Current year delinquent.....	48,935	10,424	7,806	6,766	73,931
Succeeding year	5,633,007	1,432,004	817,815	442,803	8,325,629
Accounts.....	3,777	—	—	—	3,777
Due from other funds	—	—	8,548	—	8,548
Due from other governments	1,248,071	47	808,798	1,005	2,057,921
Prepaid expenses	28,915	—	—	—	28,915
Total Assets	<u>\$ 12,688,609</u>	<u>\$ 2,353,643</u>	<u>\$ 12,520,647</u>	<u>\$ 1,455,946</u>	<u>\$ 29,018,845</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable.....	\$ 545,049	\$ —	\$ 1,167,655	\$ 17,129	\$ 1,729,833
Salaries and benefits payable.....	1,898,887	—	—	—	1,898,887
Due to other funds.....	—	8,548	—	—	8,548
Due to other governments	57,306	—	—	—	57,306
Total Liabilities	<u>2,501,242</u>	<u>8,548</u>	<u>1,167,655</u>	<u>17,129</u>	<u>3,694,574</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax.....	5,633,007	1,432,004	817,815	442,803	8,325,629
Other.....	853,318	—	—	—	853,318
Total Deferred Inflows of Resources	<u>6,486,325</u>	<u>1,432,004</u>	<u>817,815</u>	<u>442,803</u>	<u>9,178,947</u>
Fund Balances					
Nonspendable					
Prepaid expenditure	28,915	—	—	—	28,915
Restricted for					
Categorical funding	364,434	—	—	—	364,434
Debt service.....	—	913,091	—	—	913,091
Management levy purposes	—	—	—	784,718	784,718
Student activities	—	—	—	211,296	211,296
School infrastructure	—	—	10,191,389	—	10,191,389
Physical plant and equipment purchases.....	—	—	343,788	—	343,788
Unassigned.....	3,307,693	—	—	—	3,307,693
Total Fund Balances	<u>3,701,042</u>	<u>913,091</u>	<u>10,535,177</u>	<u>996,014</u>	<u>16,145,324</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,688,609</u>	<u>\$ 2,353,643</u>	<u>\$ 12,520,647</u>	<u>\$ 1,455,946</u>	<u>\$ 29,018,845</u>

See accompanying notes to the financial statements.

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

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 18) **\$ 16,145,324**

***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..... 38,329,954

Internal service fund used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position..... 46,406

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds 853,318

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..... (368,607)

Long-term liabilities, including general obligation bonds, revenue bonds and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds payable.....	\$ (13,210,000)	
General obligation bonds payable	(22,940,000)	
Other postemployment benefits.....	(328,310)	
Unamortized premium on bonds payable	(280,863)	
Unamortized underwriter's discount.....	<u>369,997</u>	<u>(36,389,176)</u>

Net Position of Governmental Activities (Page 16) **\$ 18,617,219**

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

Year Ended June 30, 2014

	General	Debt Service	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
Revenue					
Local Sources					
Local tax	\$ 6,000,808	\$ 1,088,200	\$ 814,873	\$ 700,315	\$ 8,604,196
Tuition	982,042	—	—	—	982,042
Other	151,077	124	75,003	348,647	574,851
State sources	14,104,976	—	1,953,969	—	16,058,945
Federal sources	917,228	—	—	—	917,228
Total Revenue	<u>22,156,131</u>	<u>1,088,324</u>	<u>2,843,845</u>	<u>1,048,962</u>	<u>27,137,262</u>
Expenditures					
Current					
Instruction					
Regular	9,529,330	—	184,073	297,138	10,010,541
Special	4,825,084	—	—	—	4,825,084
Other	857,743	—	—	329,302	1,187,045
Total Instruction	<u>15,212,157</u>	<u>—</u>	<u>184,073</u>	<u>626,440</u>	<u>16,022,670</u>
Support Services					
Student	846,598	—	—	—	846,598
Instructional staff	519,362	—	—	—	519,362
Administration	2,611,463	—	126,345	6,924	2,744,732
Operation and maintenance of plant	2,338,546	—	80,719	230,960	2,650,225
Transportation	525,205	—	—	11,645	536,850
Total Support Services	<u>6,841,174</u>	<u>—</u>	<u>207,064</u>	<u>249,529</u>	<u>7,297,767</u>
Other Expenditures					
Facilities acquisition and construction	—	—	9,513,826	—	9,513,826
Long-Term Debt					
Principal	—	1,400,000	—	—	1,400,000
Interest and fiscal charges	—	1,211,815	—	—	1,211,815
AEA flowthrough	861,617	—	—	—	861,617
Total Other Expenditures	<u>861,617</u>	<u>2,611,815</u>	<u>9,513,826</u>	<u>—</u>	<u>12,987,258</u>
Total Expenditures	<u>22,914,948</u>	<u>2,611,815</u>	<u>9,904,963</u>	<u>875,969</u>	<u>36,307,695</u>
Revenue Over (Under) Expenditures	<u>(758,817)</u>	<u>(1,523,491)</u>	<u>(7,061,118)</u>	<u>172,993</u>	<u>(9,170,433)</u>
Other Financing Sources (Uses)					
Proceeds from sale of asset	50,655	—	—	—	50,655
Operating transfers in	—	1,517,196	—	—	1,517,196
Operating transfers out	—	—	(1,517,196)	—	(1,517,196)
Total Other Financing Sources (Uses)	<u>50,655</u>	<u>1,517,196</u>	<u>(1,517,196)</u>	<u>—</u>	<u>50,655</u>
Net Change in Fund Balances	<u>(708,162)</u>	<u>(6,295)</u>	<u>(8,578,314)</u>	<u>172,993</u>	<u>(9,119,778)</u>
Fund Balance - Beginning of Year ...	4,409,204	919,386	19,113,491	823,021	25,265,102
Fund Balance - End of Year	<u>\$ 3,701,042</u>	<u>\$ 913,091</u>	<u>\$ 10,535,177</u>	<u>\$ 996,014</u>	<u>\$ 16,145,324</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2014

Change in Fund Balances - Total Governmental Funds (Page 20) \$ (9,119,778)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays.....	\$ 8,925,820	
Depreciation expense.....	<u>(793,638)</u>	8,132,182

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

Long-term debt principal repaid.....	\$ 1,400,000	
Amortization of discounts and premiums.....	(4,247)	
Decrease in accrued interest.....	<u>11,725</u>	1,407,478

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

Prior period	\$ (812,079)	
Current period	<u>853,318</u>	41,239

Internal service funds used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.

11,276

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

Early retirement.....	\$ 160,084	
Other postemployment benefits.....	<u>(63,310)</u>	<u>96,774</u>

Change in Net Position of Governmental Activities (Page 17) \$ 569,171

Statement of Net Position - Proprietary Funds

As of June 30, 2014

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Assets		
Current Assets		
Cash and cash equivalents.....	\$ 355,198	\$ 57,583
Inventories.....	<u>12,571</u>	<u>—</u>
Total Current Assets	<u>367,769</u>	<u>57,583</u>
Capital Assets, Net of Accumulated Depreciation	<u>114,028</u>	<u>—</u>
Total Assets	<u>481,797</u>	<u>57,583</u>
Liabilities		
Accounts payable	900	4,484
Salaries and benefits payable.....	13,542	—
Premiums received in advance.....	<u>—</u>	<u>6,693</u>
Total Liabilities	<u>14,442</u>	<u>11,177</u>
Net Position		
Net investment in capital assets	114,028	—
Unrestricted	<u>353,327</u>	<u>46,406</u>
Total Net Position	<u>\$ 467,355</u>	<u>\$ 46,406</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2014

	Nonmajor Enterprise Fund School Nutrition	Internal Service Fund Self-Insurance Fund
Operating Revenue		
Charges for service	\$ 371,213	\$ —
Self-insurance contributions	<u>—</u>	<u>85,484</u>
Total Operating Revenue	<u>371,213</u>	<u>85,484</u>
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits.....	349,083	—
Purchased services.....	8,588	—
Supplies	498,923	—
Depreciation.....	24,012	—
Self-insurance claims and fees.....	<u>—</u>	<u>74,208</u>
Total Operating Expenses	<u>880,606</u>	<u>74,208</u>
Income (Loss) From Operations.....	<u>(509,393)</u>	<u>11,276</u>
Nonoperating Revenue		
State sources	8,211	—
Federal sources.....	520,197	—
Interest on investments	<u>9</u>	<u>—</u>
Total Nonoperating Revenue	<u>528,417</u>	<u>—</u>
Increase in Net Position	19,024	11,276
Net Position - Beginning of Year.....	<u>448,331</u>	<u>35,130</u>
Net Position - End of Year.....	<u>\$ 467,355</u>	<u>\$ 46,406</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2014

	<u>Nonmajor Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Self-Insurance Fund</u>
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts.....	\$ 371,213	\$ —
Cash received from assessments made to other funds	—	84,755
Cash payments to employees for services	(349,205)	—
Cash payments to suppliers for goods and services	(432,436)	—
Cash payments for insurance claims	<u>—</u>	<u>(74,917)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(410,428)</u>	<u>9,838</u>
Cash Flows From Noncapital Financing Activities		
State grants received.....	8,211	—
Federal grants received.....	<u>444,071</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>452,282</u>	<u>—</u>
Cash Flows From Investment Activities		
Interest on investments	<u>9</u>	<u>—</u>
Net Increase in Cash and Cash Equivalents.....	41,863	—
Cash and Cash Equivalents at Beginning of Year	<u>313,335</u>	<u>47,745</u>
Cash and Cash Equivalents at End of Year	<u>\$ 355,198</u>	<u>\$ 57,583</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Income (loss) from operations.....	\$ (509,393)	\$ 11,276
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities		
Commodities used.....	74,020	—
Depreciation	24,012	—
Changes in Assets and Liabilities		
Increase in inventories.....	343	—
Increase in salaries and benefits payable	(122)	—
Increase (decrease) in accounts payable	712	(709)
Decrease in premiums received in advance	<u>—</u>	<u>(729)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (410,428)</u>	<u>\$ 9,838</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2014, the District received \$76,126 of federal commodities.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2014

	<u>Private Purpose Trust</u> Scholarship
Assets	
Cash, Cash Equivalents and Pooled Investments	\$ 166,786
Liabilities	
Accounts payable	<u> —</u>
Net Position	
Reserved for Scholarships	<u>\$ 166,786</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund

Year Ended June 30, 2014

	Private Purpose Trust <u>Scholarship</u>
Additions	
Local Sources	
Gifts and contributions	\$ 13,436
Interest income	<u>34</u>
Total Additions	<u>13,470</u>
Deductions	
Instruction	
Regular	
Scholarships awarded	<u>24,855</u>
Change in Net Position	(11,385)
Net Position - Beginning of Year	<u>178,171</u>
Net Position - End of Year	<u>\$ 166,786</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Boone Community School District is a political subdivision of the State of Iowa and operates a preschool and public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Boone Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The component unit discussed below meets this criteria because of the significance of its operational or financial relationship with the District; however, it has not been included in the District's financial statements.

Excluded Component Unit

The Boone Educational Endowment Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for activities of Boone Community School District. The Foundation is governed by a six-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented; however, the Foundation's financial information was not made available to the District; therefore, such information has been excluded from the District's financial statements.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The District's internal service fund is the Self-Insurance Fund. This fund is used to account for the self-funded dental insurance plan operated by the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

The *Private Purpose Trust Fund* is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenue.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and nonnegotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Due From Other Governments

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

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. As of June 30, 2014, total inventories included government commodities valued at \$7,299 which were on hand. Expenditures are recognized when the inventory is used.

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2014. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land.....	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles.....	50,000
Furniture and Equipment	
School Nutrition equipment	500
Other furniture and equipment.....	5,000

Property, furniture and equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Improvements other than buildings	20 - 50 Years
Intangibles.....	5 - 10 Years
Furniture and Equipment	
School nutrition equipment.....	12 Years
Other furniture and equipment.....	10 Years

Salaries and Benefits Payable

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources 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 inflows of resources consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

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

Long-Term Liabilities

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

Fund Equity

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

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

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

Unassigned - All amounts not included in the preceding classifications.

Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted or its General Fund unspent authorized budget.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

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

As of June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Government Obligations Portfolio of \$13,593,577. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Credit Risk

The District's Private Purpose Trust Fund investments consist of \$8,505 in certificates of deposits with maturities ranging from October, 2014 to November, 2014.

(3) Due From and Due to Other Funds

The District approved an interfund loan during the year ended June 30, 2014, between the Capital Projects - Physical Plant and Equipment Levy account and the Debt Service Fund as follows:

Lending Fund	Borrowing Fund	Outstanding June 30, 2014
Capital Projects - Physical Plant and Equipment Levy	Debt Service	\$ 8,548

The Capital Projects - Physical Plant and Equipment Levy Fund is loaning the Debt Service Fund in order to make required debt payments by July 1, 2014. The balance is to be repaid by June 30, 2015.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	\$ 1,517,196

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress	<u>5,819,314</u>	<u>8,803,452</u>	<u>—</u>	<u>14,622,766</u>
Total Capital Assets Not Being Depreciated.....	<u>6,138,746</u>	<u>8,803,452</u>	<u>—</u>	<u>14,942,198</u>
Capital Assets Being Depreciated				
Buildings and improvements	34,159,190	—	1,500,000	32,659,190
Furniture and equipment	<u>2,151,914</u>	<u>122,368</u>	<u>—</u>	<u>2,274,282</u>
Total Capital Assets Being Depreciated.....	<u>36,311,104</u>	<u>122,368</u>	<u>1,500,000</u>	<u>34,933,472</u>
Less Accumulated Depreciation for				
Buildings and improvements	10,855,349	623,142	1,500,000	9,978,491
Furniture and equipment	<u>1,396,729</u>	<u>170,496</u>	<u>—</u>	<u>1,567,225</u>
Total Accumulated Depreciation...	<u>12,252,078</u>	<u>793,638</u>	<u>1,500,000</u>	<u>11,545,716</u>
Net Total Capital Assets Being Depreciated.....	<u>24,059,026</u>	<u>(671,270)</u>	<u>—</u>	<u>23,387,756</u>
Net Governmental Activities				
Capital Assets	<u>\$ 30,197,772</u>	<u>\$ 8,132,182</u>	<u>\$ —</u>	<u>\$ 38,329,954</u>
Business-Type Activities				
Furniture and equipment	\$ 368,167	\$ —	\$ —	\$ 368,167
Less accumulated depreciation	<u>230,127</u>	<u>24,012</u>	<u>—</u>	<u>254,139</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 138,040</u>	<u>\$ (24,012)</u>	<u>\$ —</u>	<u>\$ 114,028</u>

Depreciation expense was charged as follows:

Governmental Activities		
Instruction		
Regular		\$ 668,406
Other.....		18,530
Support Services		
Administration		23,716
Operation and maintenance of plant.....		14,983
Transportation.....		<u>63,253</u>
Subtotal.....		788,888
Unallocated		4,750
Total Governmental Activities Depreciation Expense		<u>\$ 793,638</u>
Business-Type Activities		
Food Service Operations.....		<u>\$ 24,012</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds	\$ 23,690,000	\$ —	\$ 750,000	\$ 22,940,000	\$ 755,000
Revenue bonds	13,860,000	—	650,000	13,210,000	655,000
Early retirement	160,084	—	160,084	—	—
Net OPEB liability ...	265,000	63,310	—	328,310	—
Total	\$ 37,975,084	\$ 63,310	\$ 1,560,084	\$ 36,478,310	\$ 1,410,000

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

	Bond Issue of December 22, 2009			Bond Issue of March 1, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	3.50%	\$ —	\$ 193,850	1.45%	\$ 655,000	\$ 68,208
2016	3.50	545,000	193,850	1.80	125,000	58,710
2017	3.50	565,000	174,775	2.10	125,000	56,460
2018	4.00	585,000	155,000	2.40	125,000	53,835
2019	4.00	610,000	131,600	2.60	130,000	50,835
2020-2024	4.00	2,680,000	273,000	2.75 - 3.45%	1,455,000	197,965
2025-2029	—	—	—	—	—	—
2030-2034	—	—	—	—	—	—
Total		\$ 4,985,000	\$ 1,122,075		\$ 2,615,000	\$ 486,013
	Bond Issue of May 1, 2012			Bond Issue of May 1, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	2.00%	\$ 100,000	\$ 271,288	2.00%	\$ —	\$ 141,657
2016	2.00	100,000	269,288	2.00	250,000	141,658
2017	2.00	100,000	267,288	2.00	260,000	136,657
2018	2.00	100,000	265,288	2.00	265,000	131,458
2019	2.00	100,000	263,288	2.00	265,000	126,157
2020-2024	2.00 - 2.50	500,000	1,284,690	2.00	1,440,000	547,789
2025-2029	2.60 - 3.00	4,630,000	992,940	2.00 - 2.75	2,450,000	357,285
2030-2034	3.10 - 3.25	3,585,000	241,164	2.75 - 3.00	1,195,000	63,138
Total		\$ 9,215,000	\$ 3,855,234		\$ 6,125,000	\$ 1,645,799
	Total					
	Principal	Interest				
2015	\$ 755,000	\$ 675,003				
2016	1,020,000	663,506				
2017	1,050,000	635,180				
2018	1,075,000	605,581				
2019	1,105,000	571,880				
2020-2024	6,075,000	2,303,444				
2025-2029	7,080,000	1,350,225				
2030-2034	4,780,000	304,302				
Total	\$ 22,940,000	\$ 7,109,121				

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

June 30,	Bond Issue of August 1, 2009 - Series 2009			Bond Issue of December 1, 2011 - Series 2011			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2015	4.000%	\$ 365,000	\$ 356,740	2.00%	\$ 290,000	\$ 145,273	\$ 655,000	\$ 502,013
2016	4.000	370,000	342,040	2.00	295,000	139,423	665,000	481,463
2017	4.000	380,000	327,040	2.00	300,000	133,473	680,000	460,513
2018	4.000	385,000	311,740	2.00	305,000	127,423	690,000	439,163
2019	4.125	395,000	295,893	2.25	310,000	120,885	705,000	416,778
2020-2024	4.300 - 4.800	2,240,000	1,196,605	2.25 - 2.75	1,670,000	490,821	3,910,000	1,687,426
2025-2029	5.000 - 5.300	2,895,000	572,120	2.85 - 3.45	1,910,000	237,228	4,805,000	809,348
2030-2034	5.300	680,000	18,020	3.55	420,000	7,455	1,100,000	25,475
Total.....		<u>\$ 7,710,000</u>	<u>\$ 3,420,198</u>		<u>\$ 5,500,000</u>	<u>\$ 1,401,981</u>	<u>\$ 13,210,000</u>	<u>\$ 4,822,179</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$8,930,000 of bonds issued in August, 2009. The bonds were issued for the purpose of financing the cost of an addition at the Middle School and an addition and remodeling at Franklin Elementary. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through July, 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$11,130,198. For the current year, principal of \$370,000 and interest of \$371,440 was paid on the bonds.

The District has also pledged future statewide sales, services and use tax revenue to repay the \$5,780,000 of bonds issued in December, 2011. The bonds were issued for the purpose of financing a portion of the costs associated with the additions and renovations at Boone High School. The bonds are payable solely from proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. For the current year, principal of \$280,000 and interest of \$150,953 was paid on the bonds. Total principal and interest remaining to be paid on the bonds is \$6,901,981.

Total statewide sales, services and use tax revenue was \$1,953,969.

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

- (a) For the Series 2009 bonds, \$748,840 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

For the Series 2011 bonds, \$438,173 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

Notes to the Financial Statements

(6) Long-Term Liabilities

- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all the revenue bond provisions during the year ended June 30, 2014.

(7) Operating Leases

The District leases several pieces of equipment with terms ranging from four to five years, under operating leases. The District has also leased facilities within the area to house its home school. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures when incurred. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014.

Year Ending June 30,	
2015	<u>\$ 18,579</u>

Total rental expenditures for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, was \$37,152.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$1,275,250, \$1,218,190 and \$1,138,700, respectively, equal to the required contributions for each year.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employee, retirees and their spouses. There are 147 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue Shield Alliance Select. The dental benefit, which is a self-funded plan, is administered by Delta Dental of Iowa. (See Note 14.) Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 177,000
Interest on net OPEB obligation.....	11,965
Adjustment to annual required contribution.....	<u>(10,655)</u>
Annual OPEB Cost	178,310
Contributions made	<u>(115,000)</u>
Increase in Net OPEB Obligation	63,310
Net OPEB Obligation - Beginning of Year.....	<u>265,000</u>
Net OPEB Obligation - End of Year	<u>\$ 328,310</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$115,000 to the medical plan. Plan members eligible for benefits contributed \$0 of the premium costs.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 137,000	48.9%	\$ 110,000
June 30, 2012	137,000	60.6	164,000
June 30, 2013	178,000	43.3	265,000
June 30, 2014	178,310	64.5	328,310

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,699,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,699,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,587,000, and the ratio of the UAAL to the covered payroll was 14.7%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

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

(10) Risk Management

Boone Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency Support

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$861,617 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into a contract with an architect totaling approximately \$1,522,000 for the additions to and remodeling of the high school. As of June 30, 2014, costs of \$1,348,000 had been incurred against the contract. The balance of \$174,000 remaining as of June 30, 2014 will be paid as work on the project progresses.

The District has entered into a contract totaling approximately \$19,396,000 for the renovations and additions to the high school. As of June 30, 2014, costs of \$12,919,000 had been incurred against the contract. The balance of \$6,477,000 remaining as of June 30, 2014 will be paid as work on the project progresses.

(13) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave as of June 30, 2014 was approximately \$1,909,000.

Notes to the Financial Statements

(14) Employee Dental Plan

The District currently sponsors a self-funded dental plan. Under this plan, employees contribute a portion of their compensation and retirees and COBRA participants contribute the total cost of maintaining the plan. The District contracts with an insurance company to administer the plan.

The District has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

The following is a summary of the claims activity for the year ended June 30, 2014:

Estimated claims incurred but not reported - June 30, 2013	\$ 5,193
Claims incurred and reported and estimated costs incurred but not reported for the year ended June 30, 2014.....	73,499
Claims paid during the year ended June 30, 2014.....	<u>(74,208)</u>
Estimated Claims Incurred But Not Reported - June 30, 2014	<u>\$ 4,484</u>

(15) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2014 is comprised of the following programs:

Program	Amount
Home school assistance program.....	\$ 39,107
Gifted and Talented	105,982
Returning dropout and dropout prevention program	32,105
Statewide voluntary four-year-old preschool	91,883
Beginning teacher mentoring and induction.....	4,676
Teacher salary supplement	25,119
Market factor project.....	181
Textbook Aid for Nonpublic.....	644
Successful progression for early readers.....	25,869
Educator quality, professional development	17,657
Professional development project.....	8,523
Teacher leadership grant.....	11,111
STEM scale-up.....	<u>1,577</u>
	<u>\$ 364,434</u>

(16) Subsequent Events

Management has evaluated events through October 15, 2014, the date which the financial statements were available to be issued.

Subsequent to June 30, 2014, the District approved the sale of Lowell Elementary for \$75,000.

Required Supplementary Information

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

Year Ended June 30, 2014

	Governmental Fund Types - Actual	Proprietary Fund Type - Actual	Total	Original and Final Budget	Over (Under) Budget
Revenue					
Local sources	\$ 10,161,089	\$ 371,222	\$ 10,532,311	\$ 12,854,858	\$(2,322,547)
State sources	16,058,945	8,211	16,067,156	13,724,083	2,343,073
Federal sources	917,228	520,197	1,437,425	1,390,000	47,425
Total Revenue	<u>27,137,262</u>	<u>899,630</u>	<u>28,036,892</u>	<u>27,968,941</u>	<u>67,951</u>
Expenditures					
Instruction.....	16,022,670	—	16,022,670	16,640,000	(617,330)
Support services	7,297,767	—	7,297,767	7,364,500	(66,733)
Noninstructional programs	—	880,606	880,606	1,000,000	(119,394)
Other expenditures.....	12,987,258	—	12,987,258	13,047,464	(60,206)
Total Expenditures	<u>36,307,695</u>	<u>880,606</u>	<u>37,188,301</u>	<u>38,051,964</u>	<u>(863,663)</u>
Revenue Over (Under)					
Expenditures	(9,170,433)	19,024	(9,151,409)	(10,083,023)	931,614
Other Financing Sources, Net	<u>50,655</u>	<u>—</u>	<u>50,655</u>	<u>—</u>	<u>50,655</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,119,778)	19,024	(9,100,754)	(10,083,023)	<u>\$ 982,269</u>
Balance - Beginning of Year	<u>25,265,102</u>	<u>448,331</u>	<u>25,713,433</u>	<u>26,151,821</u>	
Balance - End of Year	<u>\$ 16,145,324</u>	<u>\$ 467,355</u>	<u>\$ 16,612,679</u>	<u>\$ 16,068,798</u>	

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 1,556,000	\$ 1,556,000	0%	\$ 11,073,000	14.1%
2010	7-1-08	—	1,556,000	1,556,000	0	12,555,000	12.4
2011	7-1-10	—	1,397,000	1,397,000	0	11,594,000	12.0
2012	7-1-10	—	1,397,000	1,397,000	0	11,902,000	11.7
2013	7-1-12	—	1,699,000	1,699,000	0	11,711,000	14.5
2014	7-1-12	—	1,699,000	1,699,000	0	11,587,000	14.7

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2014

	<u>Special Revenue</u>			Total Nonmajor Govern- mental Funds
	Student Activity	Management Levy	Public Edu- cation and Recreation Levy	
Assets				
Cash and pooled investments	\$ 226,265	\$ 779,107	\$ —	\$ 1,005,372
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	—	6,766	—	6,766
Succeeding year	—	379,998	62,805	442,803
Due from other governments	<u>1,005</u>	<u>—</u>	<u>—</u>	<u>1,005</u>
Total Assets	<u>\$ 227,270</u>	<u>\$ 1,165,871</u>	<u>\$ 62,805</u>	<u>\$ 1,455,946</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ 15,974</u>	<u>\$ 1,155</u>	<u>\$ —</u>	<u>\$ 17,129</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax	<u>—</u>	<u>379,998</u>	<u>62,805</u>	<u>442,803</u>
Fund Balances				
Restricted for				
Management levy purposes	—	784,718	—	784,718
Student activities	<u>211,296</u>	<u>—</u>	<u>—</u>	<u>211,296</u>
Total Fund Balances	<u>211,296</u>	<u>784,718</u>	<u>—</u>	<u>996,014</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances ...	<u>\$ 227,270</u>	<u>\$ 1,165,871</u>	<u>\$ 62,805</u>	<u>\$ 1,455,946</u>

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

Year Ended June 30, 2014

	Special Revenue		Total Nonmajor Govern- mental Funds
	Student Activity	Management Levy	
Revenue			
Local Sources			
Local tax	\$ —	\$ 700,315	\$ 700,315
Other.....	<u>326,228</u>	<u>22,419</u>	<u>348,647</u>
Total Revenue	<u>326,228</u>	<u>722,734</u>	<u>1,048,962</u>
Expenditures			
Current			
Instruction			
Regular.....	—	297,138	297,138
Other	<u>329,302</u>	<u>—</u>	<u>329,302</u>
Total Instruction.....	<u>329,302</u>	<u>297,138</u>	<u>626,440</u>
Support Services			
Administration.....	—	6,924	6,924
Operation and maintenance of plant.....	15,220	215,740	230,960
Transportation	<u>—</u>	<u>11,645</u>	<u>11,645</u>
Total Support Services	<u>15,220</u>	<u>234,309</u>	<u>249,529</u>
Total Expenditures	<u>344,522</u>	<u>531,447</u>	<u>875,969</u>
Revenue Over (Under) Expenditures	(18,294)	191,287	172,993
Fund Balances - Beginning of Year	<u>229,590</u>	<u>593,431</u>	<u>823,021</u>
Fund Balances - End of Year	<u>\$ 211,296</u>	<u>\$ 784,718</u>	<u>\$ 996,014</u>

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

Year Ended June 30, 2014

Account	Balance - Beginning of Year	Revenue and Interfund Transfers	Expendi- tures	Intrafund Transfers	Balance - End of Year
Restricted - unallocated interest.....	\$ 90	\$ 27	\$ —	\$ (27)	\$ 90
Activity revenue	—	116,117	—	(116,117)	—
Musicals	246	—	—	—	246
Band uniforms	872	—	—	—	872
Cheerleading	14,222	3,925	3,679	—	14,468
Drill team	12,482	4,707	3,962	—	13,227
Basketball.....	4,466	6,067	9,261	2,554	3,826
State-sponsored tournament ...	2,260	12,881	26,106	10,965	—
Football	21,708	11,716	53,019	21,616	2,021
Rinehart NFL fund balance.....	—	10,000	10,000	—	—
Baseball	5,002	3,167	12,158	3,989	—
Boys Track	616	6,772	8,441	4,146	3,093
Boys Cross Country.....	800	20	815	—	5
Boys Soccer	3,300	286	3,068	—	518
Boys Tennis.....	1,600	1,970	3,455	3,093	3,208
Boys Golf.....	1,196	—	592	3,093	3,697
Boys Swimming	3,003	3,296	4,139	3,093	5,253
Wrestling	2,800	—	4,332	4,388	2,856
Girls Basketball	7,222	1,869	11,987	6,160	3,264
Volleyball.....	5,900	5,513	12,110	3,519	2,822
Softball	1,113	539	6,789	5,137	—
Girls Track.....	6,385	3,028	6,003	2,127	5,537
Girls Cross Country	1,500	15	522	3,093	4,086
Girls Soccer.....	3,000	—	2,756	—	244
Girls Tennis	2,654	1,065	1,588	3,093	5,224
Girls Swimming	2,500	2,495	3,659	3,093	4,429
Athletic Miscellaneous	—	11,888	36,718	25,289	459
Lift-A-Thon Fund	323	100	339	—	84
Pride Club Fund	1,357	2,845	1,829	—	2,373
FCCLA	396	363	574	—	185
FFA	4,188	33,582	29,370	5,000	13,400
FFA Monsanto Grant.....	5,000	—	—	(5,000)	—

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

Year Ended June 30, 2014

Account	Balance - Beginning of Year	Revenue and Interfund Transfers	Expendi- tures	Intrafund Transfers	Balance - End of Year
Foreign Language Club	\$ 5,496	\$ 6,534	\$ 6,045	\$ —	\$ 5,985
Chess Club	159	—	—	—	159
Thespian Club	1,635	3,406	3,761	—	1,280
Peer Helpers	2,117	—	55	—	2,062
National Honor Society	1,326	763	883	—	1,206
Student Council	15,736	13,861	10,553	—	19,044
Student Congress	4,719	4,245	3,773	—	5,191
SADD High School	229	—	—	—	229
SADD Middle School	12	—	—	—	12
HS Year Book	1,825	2,903	119	—	4,609
Spotlight	—	200	—	—	200
Middle School Year Book	3,548	6,038	6,079	—	3,507
Drama	15,194	627	2,782	—	13,039
Speech	2,022	36	1,239	2,175	2,994
Prom	11,050	10,395	11,006	—	10,439
Elementary Library	574	—	—	—	574
Franklin Box Top	244	—	—	—	244
Lincoln Activity	5,255	—	181	—	5,074
Page Activity	2,525	—	207	—	2,318
Construction	1,490	500	240	—	1,750
MS Art IA Soybean Assoc.	284	—	—	—	284
Futures	552	33	27	—	558
MS Vocal Music	10,136	10	2,894	—	7,252
MS Band	1,065	6,092	5,525	—	1,632
HS Instrumental Music	5,706	2,323	2,912	2,175	7,292
Orchestra	7,343	1,422	2,367	2,175	8,573
Red Cross Fund	1,999	—	1,010	—	989
HS Vocal Music	1,302	11,188	13,651	1,161	—
MS Outdoor Working Lab	1,765	2,853	4,004	—	614
HS Library	43	—	—	—	43
HAS Principal	—	—	10	10	—
Tag Fundraising	4,984	100	235	—	4,849
TSA High School	525	2,594	1,993	—	1,126
TSA Middle School	<u>2,529</u>	<u>5,852</u>	<u>5,700</u>	<u>—</u>	<u>2,681</u>
	<u>\$ 229,590</u>	<u>\$ 326,228</u>	<u>\$ 344,522</u>	<u>\$ —</u>	<u>\$ 211,296</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Assets				
Cash and pooled investments	\$ 2,624,188	\$ 408,378	\$ 7,845,114	\$ 10,877,680
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	—	7,806	—	7,806
Succeeding year	—	817,815	—	817,815
Due from other funds	—	8,548	—	8,548
Due from other governments	<u>808,763</u>	<u>35</u>	<u>—</u>	<u>808,798</u>
Total Assets	<u>\$ 3,432,951</u>	<u>\$ 1,242,582</u>	<u>\$ 7,845,114</u>	<u>\$ 12,520,647</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ 183,492</u>	<u>\$ 80,979</u>	<u>\$ 903,184</u>	<u>\$ 1,167,655</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax	<u>—</u>	<u>817,815</u>	<u>—</u>	<u>817,815</u>
Fund Balances				
Restricted for				
School infrastructure	3,249,459	—	6,941,930	10,191,389
Physical plant and equipment	<u>—</u>	<u>343,788</u>	<u>—</u>	<u>343,788</u>
Total Fund Balances	<u>3,249,459</u>	<u>343,788</u>	<u>6,941,930</u>	<u>10,535,177</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,432,951</u>	<u>\$ 1,242,582</u>	<u>\$ 7,845,114</u>	<u>\$ 12,520,647</u>

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

Year Ended June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	High School Construction	
Revenue				
Local Sources				
Local tax.....	\$ —	\$ 814,873	\$ —	\$ 814,873
Other	8,470	990	65,543	75,003
State sources	<u>1,953,969</u>	<u>—</u>	<u>—</u>	<u>1,953,969</u>
Total Revenue	<u>1,962,439</u>	<u>815,863</u>	<u>65,543</u>	<u>2,843,845</u>
Expenditures				
Current				
Instruction				
Regular.....	<u>—</u>	<u>184,073</u>	<u>—</u>	<u>184,073</u>
Support Services				
Administration.....	<u>—</u>	<u>126,345</u>	<u>—</u>	<u>126,345</u>
Operation and maintenance of plant.....	<u>—</u>	<u>80,719</u>	<u>—</u>	<u>80,719</u>
Total Support Services.....	<u>—</u>	<u>207,064</u>	<u>—</u>	<u>207,064</u>
Other Expenditures				
Facilities acquisition and construction	<u>19,836</u>	<u>793,048</u>	<u>8,700,942</u>	<u>9,513,826</u>
Total Expenditures.....	<u>19,836</u>	<u>1,184,185</u>	<u>8,700,942</u>	<u>9,904,963</u>
Revenue Over (Under) Expenditures.....	1,942,603	(368,322)	(8,635,399)	(7,061,118)
Other Financing Uses				
Operating transfers out.....	<u>(1,517,196)</u>	<u>—</u>	<u>—</u>	<u>(1,517,196)</u>
Net Change in Fund Balances	425,407	(368,322)	(8,635,399)	(8,578,314)
Fund Balances - Beginning of Year	<u>2,824,052</u>	<u>712,110</u>	<u>15,577,329</u>	<u>19,113,491</u>
Fund Balances - End of Year	<u>\$ 3,249,459</u>	<u>\$ 343,788</u>	<u>\$ 6,941,930</u>	<u>\$ 10,535,177</u>

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

Years Ended June 30, 2007 through 2014

	2014	2013	2012	2011	2010	2009	2008	2007
Revenue								
Local Sources								
Local tax	\$ 8,604,196	\$ 10,127,882	\$ 9,596,477	\$ 10,392,406	\$ 9,873,755	\$ 9,362,981	\$ 9,001,345	\$ 9,053,675
Tuition	982,042	1,038,871	1,111,715	1,237,200	1,267,917	1,874,517	1,835,631	1,855,694
Other	574,851	549,572	533,320	700,085	577,374	765,287	1,013,826	1,300,917
Intermediate source	—	—	—	—	—	7,854	—	—
State sources	16,058,945	13,666,242	13,339,042	12,165,691	10,728,876	11,915,314	12,158,734	11,336,321
Federal sources	<u>917,228</u>	<u>905,325</u>	<u>1,189,553</u>	<u>1,514,165</u>	<u>1,915,190</u>	<u>915,172</u>	<u>606,531</u>	<u>865,332</u>
Total	<u>\$ 27,137,262</u>	<u>\$ 26,287,892</u>	<u>\$ 25,770,107</u>	<u>\$ 26,009,547</u>	<u>\$ 24,363,112</u>	<u>\$ 24,841,125</u>	<u>\$ 24,616,067</u>	<u>\$ 24,411,939</u>
Expenditures								
Instruction								
Regular	\$ 10,010,541	\$ 9,457,385	\$ 9,823,819	\$ 9,540,488	\$ 9,502,631	\$ 9,880,039	\$ 10,297,855	\$ 10,019,156
Special	4,825,084	4,502,564	4,409,852	4,405,512	4,050,504	3,936,127	3,723,582	3,797,441
Other	1,187,045	1,227,645	1,271,201	1,259,385	1,197,671	1,154,045	1,368,168	1,303,120
Support								
Student	846,598	808,652	797,286	678,451	694,099	676,150	773,552	746,397
Instructional staff	519,362	507,891	558,828	545,149	443,099	453,867	554,688	714,945
Administration	2,744,732	2,595,791	2,490,293	2,290,327	2,334,310	2,336,282	2,305,447	2,314,547
Operation and maintenance of plant	2,650,225	2,437,464	2,481,170	2,400,908	2,202,933	2,056,123	2,262,848	2,058,498
Transportation	536,850	644,072	567,965	670,145	551,206	481,531	556,578	495,398
Other Expenditures								
Facilities acquisition and construction	9,513,826	5,465,643	963,873	2,044,080	6,223,372	735,377	429,108	1,277,941
Long-Term Debt								
Principal	1,400,000	1,650,000	940,000	790,000	545,000	755,000	725,000	695,000
Interest and other charges	1,211,815	1,157,791	784,980	831,644	633,442	457,960	481,030	503,380
AEA flowthrough	<u>861,617</u>	<u>820,628</u>	<u>789,158</u>	<u>848,939</u>	<u>839,131</u>	<u>774,946</u>	<u>758,746</u>	<u>722,385</u>
Total	<u>\$ 36,307,695</u>	<u>\$ 31,275,526</u>	<u>\$ 25,878,425</u>	<u>\$ 26,305,028</u>	<u>\$ 29,217,398</u>	<u>\$ 23,697,447</u>	<u>\$ 24,236,602</u>	<u>\$ 24,648,208</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Indirect			
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2014	\$ 381,045
National School Lunch Program	10.555*	FY 2014	<u>139,152</u>
Total U.S. Department of Agriculture			<u>520,197</u>
U.S. Department of Education			
Pass-Through From Heartland Area Education Agency			
Special Education - Grants to States	84.027	FY 2014	<u>112,025</u>
Pass-Through From Iowa Department of Education			
Title 1 Grants to Local Educational Agencies	84.010	FY 2014	<u>322,749</u>
Career and Technical Education - Basic Grants to States	84.048	FY 2014	<u>20,601</u>
Improving Teacher Quality State Grants	84.367	FY 2014	<u>73,976</u>
Grants for State Assessments and Related Activities	84.369	FY 2014	<u>11,572</u>
Total Pass-Through From Iowa Department of Education			<u>428,898</u>
Total U.S. Department of Education			<u>540,923</u>
U.S. Department of Health and Human Services			
Pass-Through From Iowa Department of Education			
Drug-Free Communities Support Program Grants ...	93.276	FY 2014	<u>651</u>
Total			<u>\$ 1,061,771</u>

* Includes \$76,126 of noncash awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Boone Community School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Boone Community School District provided no federal awards to subrecipients.

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

Board of Education
Boone Community School District
Boone, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, except as discussed in the independent auditor's report, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 14-II-R-1, 14-II-R-2 and 14-II-R-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Boone Community School District's Response to Findings

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

Purpose of This Report

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
October 15, 2014

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education
Boone Community School District
Boone, Iowa

Report on Compliance for Each Major Federal Program

We have audited Boone Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Boone Community School District's major federal programs for the year ended June 30, 2014. Boone Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Boone Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Boone Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boone Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boone Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-III-R-1 and 14-III-R-2 to be material weaknesses.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
October 15, 2014

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified and adverse

Internal control over financial reporting:

Material weakness identified?

yes no

Significant deficiencies identified not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weakness identified?

yes no

Significant deficiencies identified not considered to be material weakness?

yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?

yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Nutrition Cluster

10.553

10.555

84.010

School Breakfast Program

National School Lunch Program

Title 1 Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

A prior year deficiency has not been resolved and has been repeated below as item 14-II-R-1.

14-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

The potential effect of these control deficiencies is that a misstatement or omission in the financial statements or fraud would not be prevented, detected or corrected on a timely basis. We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

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

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

Auditor's Conclusion - Response accepted.

14-II-R-2 Disbursement Approval Policy - According to District policy, the superintendent has final approval of District disbursements. We noted instances of the superintendent providing final approval on mileage reimbursement requests from the middle school principal who is also his spouse. This could create a concern regarding conflict of interest.

Auditor's Recommendation - We recommend that Board policy be amended to provide a clear division of disbursement requests and approval when spouses or other related parties are involved by utilizing another District employee or a Board member to approve disbursements in these situations.

District's Response - The District will utilize a Board member to approve administrative reimbursement requests.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

14-II-R-3 Disbursement Approval - During our audit, two instances were noted where administrative approval of a reimbursement request was completed without a supervisor signature. This could potentially lead to improper reimbursements.

Auditor's Recommendation - We recommend that existing procedures and policies be followed for reimbursements which require supervisory approval prior to payment.

District's Response - We will comply with this recommendation.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

A prior year deficiency has not been resolved and has been repeated below as item 14-III-R-1.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

14-III-R-1 Segregation of Duties - Adequate control procedures through the segregation of employee (2014-001) duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 14-II-R-1 for additional information.

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2014

U.S. Department of Agriculture

Passed through the Iowa Department of Education

14-III-R-2 Inventory - We noted that the District does not keep perpetual inventory records of (2014-002) commodities received and, therefore, does not reconcile commodities inventory to the actual inventory counts of the District on a timely basis.

Auditor's Recommendation - The District should maintain perpetual inventory records for commodities inventory and establish procedures to reconcile perpetual records with actual counts taken periodically through the year and at year end.

District's Response - We will do so.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting

14-IV-A Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts.

14-IV-B Questionable Expenditures

Finding - We believe that certain expenditures may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
District credit card	Customized NFL jerseys	\$ 437
Employee reimbursement	Cookout supplies	76

According to the opinion, it is possible for such expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Auditor's Recommendation - The Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including the requirement for proper documentation.

District's Response - We will comply with this recommendation.

Auditor's Conclusion - Response accepted.

14-IV-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

14-IV-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

14-IV-G Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

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

14-IV-K Categorical Funding

Finding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. We noted that the District allocated \$234 to the District's Special Education program for instructional supplies costs. The instructional supplies cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 281-41 of the Iowa Department of Education's Administrative Rules, as the instructional supplies do not appear to be specialized or unique to the special education classrooms or the student's IEP.

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

District's Response - We will do so.

Auditor's Conclusion - Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance.....		\$ 2,824,052
Revenue		
Sales tax revenue	\$ 1,953,969	
Other local revenue.....	<u>8,470</u>	1,962,439
Expenditures/Transfers Out		
School infrastructure construction	\$ 19,836	
Transfer to debt service fund	<u>1,517,196</u>	<u>1,537,032</u>
Ending Balance		<u>\$ 3,249,459</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2014

14-IV-M Revenue Bonds - The District was in compliance with reserve account and sinking account requirements as of June 30, 2014.

14-IV-N Student Activity Fund

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

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

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

Auditor's Conclusion - Response accepted.