

BOYDEN-HULL
COMMUNITY SCHOOL DISTRICT

Hull, Iowa

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

June 30, 2014

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-12
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Position	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Position	G 19
Statement of Revenues, Expenses and Changes in Fund Net Position	H 20
Statement of Cash Flows	I 21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position - Agency Fund	J 22
Notes to Financial Statements	23-37
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	38
Notes to Required Supplementary Information - Budgetary Reporting	39
Schedule of Funding Progress for the Retiree Health Plan	40
SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 43
Capital Project Accounts:	
Combining Balance Sheet	4 44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5 45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6 46
Combining Statement of Fiduciary Net Position - Agency Funds	7 47
Combining Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	8 48
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 <i>GOVERNMENT AUDITING STANDARDS</i>	49-50
SCHEDULE OF FINDINGS AND RESPONSES	51-53

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u>		
(Before September 2013 Election)		
Mark Warntjes	President	2013
Jake Ten Haken	Vice President	2015
Aric Van Voorst	Board Member	2015
Jason Moser	Board Member	2015
Mark Nilles	Board Member	2013
(After September 2013 Election)		
Jake Ten Haken	President	2015
Mark Nilles	Vice President	2017
Aric Van Voorst	Board Member	2015
Jason Moser	Board Member	2015
Doug Reuvers	Board Member	2017
<u>SCHOOL OFFICIALS</u>		
Steve Grond	Superintendent	2014
Lori Hoven	Secretary and Business Manager	2014
John De Koster	Attorney	Indefinite
Jeffrey Krausman	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boyden-Hull Community School District (the District), Hull, Iowa, as of and for the year ended June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 U.S. generally accepted auditing standards, 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 the District's basic financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

February 4, 2015
Sioux City, Iowa

King Reinsch Prosser & Co LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boyden-Hull Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues increased from \$6,359,143 in fiscal year 2013 to \$6,619,324 in fiscal year 2014, and General Fund expenditures increased from \$6,138,408 in fiscal year 2013 to \$6,371,410 in fiscal year 2014. The District's General Fund balance increased from \$1,341,099 in fiscal year 2013 to \$1,591,990 in fiscal year 2014, an 18.7 percent increase.
- The increase in General Fund revenues was primarily attributable to an increase in state source revenues from increased enrollment and the state's allowable growth. The increase in General Fund expenditures was mainly due to expected inflationary increases in all costs including salaries and benefits.

Using This Annual Report

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

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

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project Funds.

Reporting the District's Financial Activities

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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

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

The District has three kinds of funds.

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

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

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

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

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

3. **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others. These funds include the District's agency funds.

Agency Funds - These are funds through which the District acts as a fiscal agent. The District's agency funds include the employee flex cafeteria plan and the employee pop money.

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

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

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

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Percentage</u>
							<u>Change</u>
Current and other assets	\$ 5,859	\$ 5,747	\$ 50	\$ 11	\$ 5,909	\$ 5,758	2.6%
Capital assets, net	6,011	5,470	19	21	6,030	5,491	9.8%
Total assets	\$ 11,870	\$ 11,217	\$ 69	\$ 32	\$ 11,939	\$ 11,249	6.1%
Long-term liabilities	\$ 1,554	\$ 1,942	\$ -	\$ -	\$ 1,554	\$ 1,942	(20.0%)
Other liabilities	170	214	40	9	210	223	(5.8%)
Total liabilities	\$ 1,724	\$ 2,156	\$ 40	\$ 9	\$ 1,764	\$ 2,165	(18.5%)
Deferred inflows of resources	\$ 2,874	\$ 2,629	\$ -	\$ -	\$ 2,874	\$ 2,629	9.3%
Net position:							
Net investment in capital assets	\$ 4,823	\$ 3,840	\$ 19	\$ 21	\$ 4,842	\$ 3,861	25.4%
Restricted	1,268	1,540	-	-	1,268	1,540	(17.7%)
Unrestricted	1,181	1,052	10	2	1,191	1,054	13.0%
Total net position	\$ 7,272	\$ 6,432	\$ 29	\$ 23	\$ 7,301	\$ 6,455	13.1%

The District's total net position increased 13.1 percent, or approximately \$846,000 over the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, 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 that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$272,000, or 17.7 percent, from the prior year due to increased expenditures in the Capital Project Funds.

Unrestricted net position is 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. The District's unrestricted net position increased approximately \$137,000, or 13.0 percent over the prior year due to the District's ability to keep general fund expenditures less than general fund revenues again this year.

Figure A-2 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for services	\$ 556	\$ 530	\$ 185	\$ 159	\$ 741	\$ 689	7.5%
Operating grants, contributions and restricted interest	1,080	973	139	144	1,219	1,117	9.1%
Capital grants, contributions and restricted interest	25	34	-	-	25	34	(26.5%)
General revenues:							
Property tax	2,614	2,534	-	-	2,614	2,534	3.2%
Local surtax	437	336	-	-	437	336	30.1%
Statewide sales, services and use tax	547	543	-	-	547	543	0.7%
Unrestricted state grants	2,778	2,642	-	-	2,778	2,642	5.1%
Unrestricted investment earnings	19	21	-	-	19	21	(9.5%)
Gain on sale of asset	-	1	-	-	-	1	(100.0%)
Other	1	7	-	-	1	7	(85.7%)
Total revenues	<u>\$ 8,057</u>	<u>\$ 7,621</u>	<u>\$ 324</u>	<u>\$ 303</u>	<u>\$ 8,381</u>	<u>\$ 7,924</u>	<u>5.8%</u>
Program expenses:							
Instruction	\$ 4,964	\$ 4,751	\$ -	\$ -	\$ 4,964	\$ 4,751	4.5%
Support services	1,879	1,849	-	-	1,879	1,849	1.6%
Non-instructional programs	-	-	318	297	318	297	7.1%
Other expenses	374	373	-	-	374	373	0.3%
Total expenses	<u>\$ 7,217</u>	<u>\$ 6,973</u>	<u>\$ 318</u>	<u>\$ 297</u>	<u>\$ 7,535</u>	<u>\$ 7,270</u>	<u>3.6%</u>
Change in net position	\$ 840	\$ 648	\$ 6	\$ 6	\$ 846	\$ 654	29.4%
Net position beginning of year	<u>6,432</u>	<u>5,784</u>	<u>23</u>	<u>17</u>	<u>6,455</u>	<u>5,801</u>	<u>11.3%</u>
Net position end of year	<u>\$ 7,272</u>	<u>\$ 6,432</u>	<u>\$ 29</u>	<u>\$ 23</u>	<u>\$ 7,301</u>	<u>\$ 6,455</u>	<u>13.1%</u>

In fiscal year 2014, property tax and unrestricted state grants account for 66.9 percent of the governmental activities revenue (67.9 percent in 2013) while charges for service and operating grants, contributions and restricted interest accounted for 99.9 percent of business type activities revenue (99.9 percent in 2013). The District's total revenues were approximately \$8.4 million, of which approximately \$8.1 million was for governmental activities and approximately \$300,000 was for business type activities. The District's expenses primarily relate to instruction and support services, which account for 90.8 percent of the total expenses (90.8 percent in 2013).

As shown in Figure A-2, the District experienced a 5.8 percent increase in revenues and a 3.6 percent increase in expenses. Property taxes and unrestricted state grants increased approximately \$216,000 to fund the increase in expenses. Operating and capital grants, contributions and restricted interest increased approximately \$93,000 in large part due to additional state and federal monies. The increase in expenses is primarily due to expected inflationary increases in all costs including salary and benefits.

Governmental Activities - Revenues for governmental activities were \$8,057,336 and expenses were \$7,217,094. The District was able to keep expenses at a level less than revenues.

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

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

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2014	2013	Change	2014	2013	Change
			2013-2014			2013-2014
Instruction	\$ 4,964	\$ 4,751	4.5%	\$ 3,667	\$ 3,571	2.7%
Support services	1,879	1,849	1.6%	1,820	1,796	1.3%
Other expenses	374	373	0.3%	69	70	(1.4%)
Totals	\$ 7,217	\$ 6,973	3.5%	\$ 5,556	\$ 5,437	2.2%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$556,245 (\$529,578 in 2013).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,080,173 (\$972,539 in 2013).
- The net cost of governmental activities was financed with \$3,598,419 in property and other taxes (\$3,413,606 in 2013) and \$2,777,796 in unrestricted state grants (\$2,642,097 in 2013).

Business Type Activities - Revenues for business type activities were \$323,758 (\$303,334 in 2013), a 6.7 percent increase, while expenses totaled \$317,993 (\$297,411 in 2013), a 6.9 percent increase. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues and expenses were primarily attributable to more participation in the school nutrition program.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,524,437, below last year's ending fund balances of \$2,605,652. However, the primary reason for the decrease in combined fund balance at the end of the fiscal year 2014 is due to a large construction project renovating the secondary theater and entrance.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,591,990 in its fund balance at June 30, 2014. The General Fund increased by \$250,891 during fiscal year 2014 due to the District's ability to control their costs and maintain them at a consistent level.

The District's Capital Project Funds balance decreased \$390,841 during fiscal year 2014. This was due to a large construction project renovating the secondary theater and entrance.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$23,188 at June 30, 2013 to \$28,953 at June 30, 2014, representing a 24.9 percent increase. This was due to increased participation in the school nutrition program and controlled costs.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to correct for incorrect estimates, calculation errors and additional construction costs.

The District's total revenues were \$439,268 more than total budgeted revenues, a variance of 5.5 percent. The District's total expenditures were \$570,415 less than total budgeted, a variance of 6.3 percent due to the District's philosophy to maximize their allowable budget in an attempt to keep from exceeding it.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2014, the District had invested \$6,029,825, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a 9.8 percent increase from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$368,295.

The original cost of the District's capital assets was \$10,477,899. Governmental funds account for \$10,385,119 with the remainder of \$92,780 accounted for in the Proprietary, School Nutrition Fund.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The significant increase is due to a renovation of the secondary theater and entryway.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
							<u>2013-2014</u>
Land	\$ 398	\$ 398	\$ -	\$ -	\$ 398	\$ 398	0.0%
Construction in progress	820	94	-	-	820	94	772.3%
Land improvements	100	101	-	-	100	101	(1.0%)
Buildings	1,285	1,316	-	-	1,285	1,316	(2.4%)
Building improvements	2,667	2,698	-	-	2,667	2,698	(1.1%)
Furniture and equipment	588	642	19	21	607	663	(8.4%)
Vehicles	153	220	-	-	153	220	(30.5%)
Intangibles	-	1	-	-	-	1	(100.0%)
Totals	<u>\$ 6,011</u>	<u>\$ 5,470</u>	<u>\$ 19</u>	<u>\$ 21</u>	<u>\$ 6,030</u>	<u>\$ 5,491</u>	<u>9.8%</u>

Long-Term Debt - At June 30, 2014, the District had \$1,554,096 in long-term debt outstanding. This represents a 20.0 percent decrease from the prior year. (See Figure A-5) Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5.0 percent of the assessed value of all taxable property within the district. The District's outstanding general obligation debt is significantly below its constitutional debt limit.

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

	<u>June 30,</u>		<u>Percent</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
			<u>2013-2014</u>
General obligation bonds	\$ 1,085	\$ 1,285	(15.6%)
Revenue bonds	-	143	(100.0%)
Capital lease obligation	102	202	(49.5%)
Net OPEB liability	<u>367</u>	<u>312</u>	<u>17.6%</u>
	<u>\$ 1,554</u>	<u>\$ 1,942</u>	<u>(20.0%)</u>

Economic Factors Bearing on the District's Future

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

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Hoven, Business Manager and District Secretary, Boyden-Hull Community School District, 801 1st Street, Hull, Iowa 51239.

BASIC FINANCIAL STATEMENTS

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 2,385,920	\$ 43,539	\$ 2,429,459	\$ 128,069
Receivables:				
Property tax:				
Delinquent	28,814	-	28,814	-
Succeeding year	2,873,890	-	2,873,890	-
Due from other governments	530,109	-	530,109	-
Prepaid expenses	41,098	-	41,098	-
Inventories	-	6,052	6,052	-
Capital assets, net of accumulated depreciation/amortization	<u>6,010,779</u>	<u>19,046</u>	<u>6,029,825</u>	<u>-</u>
Total assets	<u>\$ 11,870,610</u>	<u>\$ 68,637</u>	<u>\$ 11,939,247</u>	<u>\$ 128,069</u>
LIABILITIES:				
Accounts payable	\$ 164,067	\$ 32,592	\$ 196,659	\$ -
Unearned revenues	-	7,092	7,092	-
Accrued compensated absences	2,515	-	2,515	-
Accrued interest payable	3,213	-	3,213	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	205,000	-	205,000	-
Capital lease obligation	102,500	-	102,500	-
Portion due after one year:				
General obligation bonds	880,000	-	880,000	-
Net OPEB liability	<u>366,596</u>	<u>-</u>	<u>366,596</u>	<u>-</u>
Total liabilities	<u>\$ 1,723,891</u>	<u>\$ 39,684</u>	<u>\$ 1,763,575</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable property tax revenue	<u>\$ 2,873,890</u>	<u>\$ -</u>	<u>\$ 2,873,890</u>	<u>\$ -</u>
NET POSITION:				
Net investment in capital assets	\$ 4,823,279	\$ 19,046	\$ 4,842,325	\$ -
Restricted for:				
Categorical funding	339,695	-	339,695	-
Debt service	9,110	-	9,110	-
Management levy purposes	179,724	-	179,724	-
Student activities	77,622	-	77,622	-
School infrastructure	421,299	-	421,299	-
Physical plant and equipment	241,479	-	241,479	-
Unrestricted	<u>1,180,621</u>	<u>9,907</u>	<u>1,190,528</u>	<u>128,069</u>
Total net position	<u>\$ 7,272,829</u>	<u>\$ 28,953</u>	<u>\$ 7,301,782</u>	<u>\$ 128,069</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	\$ 3,206,597	\$ 328,488	\$ 695,007	\$ -
Special	1,113,058	27,666	47,517	-
Other	<u>643,902</u>	<u>196,225</u>	<u>1,211</u>	-
	<u>\$ 4,963,557</u>	<u>\$ 552,379</u>	<u>\$ 743,735</u>	<u>\$ -</u>
Support services:				
Student	\$ 83,354	\$ -	\$ -	\$ -
Instructional staff	69,124	-	-	-
Administration	953,995	3,866	-	-
Operation and maintenance of plant	460,442	-	-	-
Transportation	<u>312,608</u>	<u>-</u>	<u>56,254</u>	<u>-</u>
	<u>\$ 1,879,523</u>	<u>\$ 3,866</u>	<u>\$ 56,254</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 28,302	\$ -	\$ -	\$ 24,611
Long-term debt interest	65,528	-	-	-
AEA flow through	<u>280,184</u>	<u>-</u>	<u>280,184</u>	<u>-</u>
	<u>\$ 374,014</u>	<u>\$ -</u>	<u>\$ 280,184</u>	<u>\$ 24,611</u>
Total governmental activities	<u>\$ 7,217,094</u>	<u>\$ 556,245</u>	<u>\$ 1,080,173</u>	<u>\$ 24,611</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>\$ 317,993</u>	<u>\$ 184,893</u>	<u>\$ 138,676</u>	<u>\$ -</u>
Total business type activities	<u>\$ 317,993</u>	<u>\$ 184,893</u>	<u>\$ 138,676</u>	<u>\$ -</u>
Total	<u>\$ 7,535,087</u>	<u>\$ 741,138</u>	<u>\$ 1,218,849</u>	<u>\$ 24,611</u>
Component unit:				
Foundation	<u>\$ 203,291</u>	<u>\$ -</u>	<u>\$ 120,564</u>	<u>\$ -</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Debt service				
Local surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit Foundation</u>
\$ (2,183,102)	\$ -	\$ (2,183,102)	
(1,037,875)	-	(1,037,875)	
<u>(446,466)</u>	<u>-</u>	<u>(446,466)</u>	
\$ <u>(3,667,443)</u>	\$ -	\$ <u>(3,667,443)</u>	
\$ (83,354)	\$ -	\$ (83,354)	
(69,124)	-	(69,124)	
(950,129)	-	(950,129)	
(460,442)	-	(460,442)	
<u>(256,354)</u>	<u>-</u>	<u>(256,354)</u>	
\$ <u>(1,819,403)</u>	\$ -	\$ <u>(1,819,403)</u>	
\$ (3,691)	\$ -	\$ (3,691)	
(65,528)	-	(65,528)	
-	-	-	
\$ <u>(69,219)</u>	\$ -	\$ <u>(69,219)</u>	
\$ <u>(5,556,065)</u>	\$ -	\$ <u>(5,556,065)</u>	
\$ -	\$ 5,576	\$ 5,576	
\$ -	\$ 5,576	\$ 5,576	
\$ <u>(5,556,065)</u>	\$ 5,576	\$ <u>(5,550,489)</u>	
			\$ <u>82,727</u>
\$ 2,054,144	\$ -	\$ 2,054,144	\$ -
170,202	-	170,202	-
172,127	-	172,127	-
217,634	-	217,634	-
437,085	-	437,085	-
547,227	-	547,227	-
2,777,796	-	2,777,796	-
19,343	189	19,532	196
<u>749</u>	<u>-</u>	<u>749</u>	<u>-</u>
\$ <u>6,396,307</u>	\$ <u>189</u>	\$ <u>6,396,496</u>	\$ <u>196</u>
\$ 840,242	\$ 5,765	\$ 846,007	\$ (82,531)
<u>6,432,587</u>	<u>23,188</u>	<u>6,455,775</u>	<u>210,600</u>
\$ <u>7,272,829</u>	\$ <u>28,953</u>	\$ <u>7,301,782</u>	\$ <u>128,069</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 1,539,785	\$ 579,804	\$ 266,331	\$ 2,385,920
Receivables:				
Property tax:				
Delinquent	22,896	1,775	4,143	28,814
Succeeding year	2,061,784	384,961	427,145	2,873,890
Due from other governments	404,118	125,991	-	530,109
Prepaid expenses	<u>41,098</u>	<u>-</u>	<u>-</u>	<u>41,098</u>
Total assets	<u>\$ 4,069,681</u>	<u>\$ 1,092,531</u>	<u>\$ 697,619</u>	<u>\$ 5,859,831</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 155,650	\$ 7,612	\$ 805	\$ 164,067
Total liabilities	<u>\$ 155,650</u>	<u>\$ 7,612</u>	<u>\$ 805</u>	<u>\$ 164,067</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,061,784	\$ 384,961	\$ 427,145	\$ 2,873,890
Other	<u>260,257</u>	<u>37,180</u>	<u>-</u>	<u>297,437</u>
Total deferred inflows of resources	<u>\$ 2,322,041</u>	<u>\$ 422,141</u>	<u>\$ 427,145</u>	<u>\$ 3,171,327</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	\$ 41,098	\$ -	\$ -	\$ 41,098
Restricted for:				
Categorical funding	339,695	-	-	339,695
Debt service	-	-	12,323	12,323
Management levy purposes	-	-	179,724	179,724
Student activities	-	-	77,622	77,622
School infrastructure	-	421,299	-	421,299
Physical plant and equipment	-	241,479	-	241,479
Unassigned	<u>1,211,197</u>	<u>-</u>	<u>-</u>	<u>1,211,197</u>
Total fund balances	<u>\$ 1,591,990</u>	<u>\$ 662,778</u>	<u>\$ 269,669</u>	<u>\$ 2,524,437</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,069,681</u>	<u>\$ 1,092,531</u>	<u>\$ 697,619</u>	<u>\$ 5,859,831</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET POSITIONJUNE 30, 2014

Total fund balances of governmental funds (page 15)	\$ 2,524,437
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.	6,010,779
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	297,437
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.	(3,213)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(2,515)
Long-term liabilities, including bonds payable, capital lease obligations and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,554,096)</u>
Net position of governmental activities (page 13)	<u>\$ 7,272,829</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,389,959	\$ 267,763	\$ 387,836	\$ 3,045,558
Tuition	267,227	-	-	267,227
Other	130,641	28,401	200,150	359,192
State sources	3,569,998	547,303	176	4,117,477
Federal sources	261,499	-	-	261,499
Total revenues	<u>\$ 6,619,324</u>	<u>\$ 843,467</u>	<u>\$ 588,162</u>	<u>\$ 8,050,953</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 3,022,473	\$ 14,487	\$ 17,148	\$ 3,054,108
Special	1,054,096	-	-	1,054,096
Other	410,211	-	199,607	609,818
	<u>\$ 4,486,780</u>	<u>\$ 14,487</u>	<u>\$ 216,755</u>	<u>\$ 4,718,022</u>
Support services:				
Student	\$ 78,939	\$ -	\$ -	\$ 78,939
Instructional staff	65,462	-	-	65,462
Administration	735,512	89,158	93,827	918,497
Operation and maintenance of plant	428,485	36,796	-	465,281
Transportation	296,048	-	-	296,048
	<u>\$ 1,604,446</u>	<u>\$ 125,954</u>	<u>\$ 93,827</u>	<u>\$ 1,824,227</u>
Other expenditures:				
Facilities acquisition	\$ -	\$ 817,843	\$ -	\$ 817,843
Long-term debt:				
Principal	-	-	442,400	442,400
Interest and fiscal charges	-	-	52,469	52,469
AEA flow through	280,184	-	-	280,184
	<u>\$ 280,184</u>	<u>\$ 817,843</u>	<u>\$ 494,869</u>	<u>\$ 1,592,896</u>
Total expenditures	<u>\$ 6,371,410</u>	<u>\$ 958,284</u>	<u>\$ 805,451</u>	<u>\$ 8,135,145</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 247,914</u>	<u>\$ (114,817)</u>	<u>\$ (217,289)</u>	<u>\$ (84,192)</u>
Other financing sources (uses):				
Sale of capital assets	\$ 2,228	\$ -	\$ -	\$ 2,228
Insurance recoveries	749	-	-	749
Operating transfers in	-	-	276,024	276,024
Operating transfers out	-	(276,024)	-	(276,024)
Total other financing sources (uses)	<u>\$ 2,977</u>	<u>\$ (276,024)</u>	<u>\$ 276,024</u>	<u>\$ 2,977</u>
Change in fund balances	<u>\$ 250,891</u>	<u>\$ (390,841)</u>	<u>\$ 58,735</u>	<u>\$ (81,215)</u>
Fund balances beginning of year	<u>1,341,099</u>	<u>1,053,619</u>	<u>210,934</u>	<u>2,605,652</u>
Fund balances end of year	<u>\$ 1,591,990</u>	<u>\$ 662,778</u>	<u>\$ 269,669</u>	<u>\$ 2,524,437</u>

See notes to financial statements.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (page 17) \$ (81,215)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 919,605	
Depreciation/amortization expense	<u>(365,919)</u>	553,686

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 442,400

Certain local taxes not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 5,634

Bond issuance costs are reported in the governmental activities, but are not reported in the governmental funds as they do not provide current economic resources. (15,109)

Cash received on the sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed. (12,643)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,050

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(229)	
Other postemployment benefits	<u>(54,332)</u>	<u>(54,561)</u>

Change in net position of governmental activities (page 14) \$ 840,242

See notes to financial statements.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET POSITION - PROPRIETARY FUNDJUNE 30, 2014

	<u>School Nutrition</u>
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 43,539
Inventories	<u>6,052</u>
Total current assets	<u>\$ 49,591</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>\$ 19,046</u>
Total assets	<u>\$ 68,637</u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 32,592
Unearned revenues	<u>7,092</u>
Total current liabilities	<u>\$ 39,684</u>
 NET POSITION:	
Net investment in capital assets	\$ 19,046
Unrestricted	<u>9,907</u>
Total net position	<u>\$ 28,953</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>184,893</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Purchased services	\$ 292,667
Supplies	22,950
Depreciation	<u>2,376</u>
Total operating expenses	\$ <u>317,993</u>
Operating loss	\$ <u>(133,100)</u>
Non-operating revenues:	
Interest income	\$ 189
State sources	2,658
Federal sources	<u>136,018</u>
Total non-operating revenues	\$ <u>138,865</u>
Increase in net position	\$ 5,765
Net position beginning of year	<u>23,188</u>
Net position end of year	<u>\$ 28,953</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 184,420
Cash paid to suppliers for goods or services	<u>(261,546)</u>
Net cash used by operating activities	<u>\$ (77,126)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,658
Federal grants received	<u>117,113</u>
Net cash provided by non-capital financing activities	<u>\$ 119,771</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 189</u>
Net increase in cash, cash equivalents and pooled investments	\$ 42,834
Cash, cash equivalents and pooled investments beginning of year	<u>705</u>
Cash, cash equivalents and pooled investments end of year	<u>\$ 43,539</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (133,100)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	22,005
Depreciation	2,376
(Increase) decrease in accounts receivable	908
Increase (decrease) in accounts payable	32,066
Increase (decrease) in unearned revenues	<u>(1,381)</u>
Net cash used by operating activities	<u>\$ (77,126)</u>
Supplemental schedule of non-cash items; non-capital financing activities:	
During the year ended June 30, 2014, the District received \$18,905 of federal commodities.	

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUND

JUNE 30, 2014

ASSETS:

Cash, cash equivalents and pooled investments

\$ 39,965

LIABILITIES:

Due to others

\$ 39,965

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

- A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Discretely Presented Component Unit - In August 1997, the District established the Boyden-Hull Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Boyden-Hull Community School District as a discretely presented component unit for the year ended June 30, 2014. Complete financial statements are on file at the District.

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 Sioux County Assessor's Conference Board.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted Net Position - Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Net position restricted through enabling legislation as of June 30, 2014 consists of \$179,724 for management levy, \$241,479 for physical plant and equipment levy and \$421,299 for statewide sales tax.

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

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

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

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 consist of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, no expenditures exceeded the amount budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

The District's deposits in banks at 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.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$12,297 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

NOTE 3 - INTERFUND TRANSFERS:

During the year ended June 30, 2014, \$276,024 was transferred from the Capital Project Funds to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 397,651	\$ -	\$ -	\$ 397,651
Construction in progress	<u>93,847</u>	<u>725,876</u>	<u>-</u>	<u>819,723</u>
Total capital assets not being depreciated	<u>\$ 491,498</u>	<u>\$ 725,876</u>	<u>\$ -</u>	<u>\$ 1,217,374</u>
Capital assets being depreciated/amortized:				
Land improvements	\$ 598,379	\$ 7,516	\$ -	\$ 605,895
Buildings	1,826,681	-	-	1,826,681
Building improvements	4,456,507	66,883	-	4,523,390
Furniture and equipment	1,396,275	119,330	117,420	1,398,185
Vehicles	895,774	-	105,078	790,696
Intangibles	<u>22,898</u>	<u>-</u>	<u>-</u>	<u>22,898</u>
Total capital assets being depreciated/amortized	<u>\$ 9,196,514</u>	<u>\$ 193,729</u>	<u>\$ 222,498</u>	<u>\$ 9,167,745</u>
Less accumulated depreciation/amortization for:				
Land improvements	\$ 497,591	\$ 7,824	\$ -	\$ 505,415
Buildings	510,482	30,856	-	541,338
Building improvements	1,758,674	98,117	-	1,856,791
Furniture and equipment	754,350	170,854	114,586	810,618
Vehicles	675,694	56,855	95,269	637,280
Intangibles	<u>21,485</u>	<u>1,413</u>	<u>-</u>	<u>22,898</u>
Total accumulated depreciation/amortization	<u>\$ 4,218,276</u>	<u>\$ 365,919</u>	<u>\$ 209,855</u>	<u>\$ 4,374,340</u>
Total capital assets being depreciated/amortized, net	<u>\$ 4,978,238</u>	<u>\$ (172,190)</u>	<u>\$ 12,643</u>	<u>\$ 4,793,405</u>
Governmental activities capital assets, net	<u>\$ 5,469,736</u>	<u>\$ 553,686</u>	<u>\$ 12,643</u>	<u>\$ 6,010,779</u>
Business type activities:				
Furniture and equipment	\$ 92,780	\$ -	\$ -	\$ 92,780
Less accumulated depreciation	<u>71,358</u>	<u>2,376</u>	<u>-</u>	<u>73,734</u>
Business type activities capital assets, net	<u>\$ 21,422</u>	<u>\$ (2,376)</u>	<u>\$ -</u>	<u>\$ 19,046</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 170,833
Special	58,962
Other	34,084

Support services:

Student	4,415
Instructional staff	3,662
Administration	51,377
Operation and maintenance of plant	26,026
Transportation	<u>16,560</u>

Total depreciation/amortization
expense - governmental activities \$ 365,919

Business type activities:

Food service operations	<u>\$ 2,376</u>
-------------------------	-----------------

NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation school refunding bonds	\$ 1,285,000	\$ -	\$ 200,000	\$ 1,085,000	\$ 205,000
Revenue bonds	142,858	-	142,858	-	-
Capital lease obligation	<u>202,042</u>	-	<u>99,542</u>	<u>102,500</u>	<u>102,500</u>
Total	<u>\$ 1,629,900</u>	<u>\$ -</u>	<u>\$ 442,400</u>	<u>\$ 1,187,500</u>	<u>\$ 307,500</u>

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

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

School Refunding Bond Issue of 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.00%	\$ 205,000	\$ 37,145	\$ 242,145
2016	3.15%	210,000	30,995	240,995
2017	3.40%	215,000	24,380	239,380
2018	3.70%	220,000	17,070	237,070
2019	3.80%	235,000	8,930	243,930
		\$ 1,085,000	\$ 118,520	\$ 1,203,520

Revenue Bonds - At June 30, 2014, the District had paid its revenue bond obligation in full. For the current year, principal and interest paid on the bonds totaled \$146,251 and total statewide sales, services and use tax revenues were \$547,227. The District complied with all the revenue bond provisions during the year ended June 30, 2014.

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

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

Capital Lease Obligation				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.95%	\$ 102,500	\$ 2,273	\$ 104,773
		\$ 102,500	\$ 2,273	\$ 104,773

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6 - 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 percent of their annual covered salary and the District is required to contribute 8.93 percent of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$337,392, \$319,702 and \$286,429 respectively, equal to the required contributions for each year.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 78 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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	\$ 82,201
Interest on net OPEB obligation	14,052
Adjustment to annual required contribution	<u>(19,170)</u>
Annual OPEB cost	\$ 77,083
Contributions made	<u>(22,751)</u>
Increase in net OPEB obligation	\$ 54,332
Net OPEB obligation beginning of year	<u>312,264</u>
Net OPEB obligation end of year	<u><u>\$ 366,596</u></u>

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 \$22,751 to the medical plan. Plan members eligible for benefits contributed \$9,358, or 29.1 percent of the premium costs.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 156,115	45.49%	\$ 258,476
2013	77,964	31.01%	312,264
2014	77,083	29.51%	366,596

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$474,999, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$474,999. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.8 million and the ratio of the UAAL to covered payroll was 12.5 percent. As of June 30, 2014, there were no trust fund assets.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Projected claim costs of the medical plan are \$577 per month for retirees. The salary increase rate was assumed to be 4.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 - RISK MANAGEMENT:

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

NOTE 9 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$280,184 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.

NOTE 10 - CONSTRUCTION COMMITMENTS:

The District has entered into various construction contracts for building and facilities improvements totaling \$841,288. As of June 30, 2014, \$786,110 of costs has been incurred against the contracts. The balance of \$55,178 remaining at June 30, 2014 will be paid as work on the projects progress.

NOTE 11 - PROSPECTIVE ACCOUNTING CHANGE:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

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

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 3,671,977	\$ 185,082	\$ 3,857,059
State sources	4,117,477	2,658	4,120,135
Federal sources	<u>261,499</u>	<u>136,018</u>	<u>397,517</u>
Total revenues	<u>\$ 8,050,953</u>	<u>\$ 323,758</u>	<u>\$ 8,374,711</u>
Expenditures/expenses:			
Instruction	\$ 4,718,022	\$ -	\$ 4,718,022
Support services	1,824,227	-	1,824,227
Non-instructional programs	-	317,993	317,993
Other expenditures	<u>1,592,896</u>	<u>-</u>	<u>1,592,896</u>
Total expenditures/expenses	<u>\$ 8,135,145</u>	<u>\$ 317,993</u>	<u>\$ 8,453,138</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	\$ (84,192)	\$ 5,765	\$ (78,427)
Other financing sources, net	<u>\$ 2,977</u>	<u>\$ -</u>	<u>\$ 2,977</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ (81,215)	\$ 5,765	\$ (75,450)
Balances beginning of year	<u>2,605,652</u>	<u>23,188</u>	<u>2,628,840</u>
Balances end of year	<u>\$ 2,524,437</u>	<u>\$ 28,953</u>	<u>\$ 2,553,390</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 4,114,592	\$ 4,114,592	\$ (257,533)
3,613,851	3,613,851	506,284
<u>207,000</u>	<u>207,000</u>	<u>190,517</u>
\$ <u>7,935,443</u>	\$ <u>7,935,443</u>	\$ <u>439,268</u>
\$ 5,588,884	\$ 4,875,000	\$ 156,978
1,816,903	2,030,000	205,773
15,000	325,000	7,007
<u>1,085,333</u>	<u>1,793,553</u>	<u>200,657</u>
\$ <u>8,506,120</u>	\$ <u>9,023,553</u>	\$ <u>570,415</u>
\$ <u>(570,677)</u>	\$ <u>(1,088,110)</u>	\$ <u>1,009,683</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$517,433.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

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

REQUIRED SUPPLEMENTARY INFORMATION

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

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>Special Revenue</u>			
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Total</u>
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 177,825	\$ 78,427	\$ 10,079	\$ 266,331
Receivables:				
Property tax:				
Delinquent	1,899	-	2,244	4,143
Succeeding year	<u>185,000</u>	<u>-</u>	<u>242,145</u>	<u>427,145</u>
 Total assets	 <u>\$ 364,724</u>	 <u>\$ 78,427</u>	 <u>\$ 254,468</u>	 <u>\$ 697,619</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ -	\$ 805	\$ -	\$ 805
Total liabilities	<u>\$ -</u>	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 805</u>
Deferred inflows of resources				
Unavailable revenues:				
Succeeding year property tax	\$ 185,000	\$ -	\$ 242,145	\$ 427,145
Total deferred inflows of resources	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ 242,145</u>	<u>\$ 427,145</u>
Fund balances:				
Restricted for:				
Debt service	\$ -	\$ -	\$ 12,323	\$ 12,323
Management levy purposes	179,724	-	-	179,724
Student activities	<u>-</u>	<u>77,622</u>	<u>-</u>	<u>77,622</u>
Total fund balances	<u>\$ 179,724</u>	<u>\$ 77,622</u>	<u>\$ 12,323</u>	<u>\$ 269,669</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 364,724</u>	 <u>\$ 78,427</u>	 <u>\$ 254,468</u>	 <u>\$ 697,619</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>			
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	<u>Total</u>
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
Revenues:				
Local sources:				
Local tax	\$ 170,202	\$ -	\$ 217,634	\$ 387,836
Other	3,867	196,283	-	200,150
State sources	<u>80</u>	<u>-</u>	<u>96</u>	<u>176</u>
Total revenues	<u>\$ 174,149</u>	<u>\$ 196,283</u>	<u>\$ 217,730</u>	<u>\$ 588,162</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 17,148	\$ -	\$ -	\$ 17,148
Other	<u>-</u>	<u>199,607</u>	<u>-</u>	<u>199,607</u>
	<u>\$ 17,148</u>	<u>\$ 199,607</u>	<u>\$ -</u>	<u>\$ 216,755</u>
Support services:				
Administration	<u>\$ 93,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,827</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 442,400	\$ 442,400
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>52,469</u>	<u>52,469</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,869</u>	<u>\$ 494,869</u>
Total expenditures	<u>\$ 110,975</u>	<u>\$ 199,607</u>	<u>\$ 494,869</u>	<u>\$ 805,451</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 63,174	\$ (3,324)	\$ (277,139)	\$ (217,289)
Other financing sources:				
Operating transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,024</u>	<u>\$ 276,024</u>
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,024</u>	<u>\$ 276,024</u>
Change in fund balances	\$ 63,174	\$ (3,324)	\$ (1,115)	\$ 58,735
Fund balances beginning of year	<u>116,550</u>	<u>80,946</u>	<u>13,438</u>	<u>210,934</u>
Fund balances end of year	<u>\$ 179,724</u>	<u>\$ 77,622</u>	<u>\$ 12,323</u>	<u>\$ 269,669</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2014

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Athletic general	\$ 4,695	\$ 24,752	\$ 16,113	\$ (6,973)	\$ 6,361
Band	265	733	2,077	1,079	-
Band uniform maintenance	635	-	-	(635)	-
Baseball	-	620	3,123	2,503	-
Boys basketball	974	8,391	8,249	-	1,116
Boys track	5,178	3,164	3,507	(4,835)	-
Cheerleaders	2,243	3,747	2,338	-	3,652
Choir robes	1,875	-	-	(1,417)	458
Class of 2014	4,831	70	2,496	(2,405)	-
Class of 2015	2,838	14,782	12,202	-	5,418
Class of 2016	1,302	160	256	1,131	2,337
Class of 2017	-	80	256	1,486	1,310
Cross country	267	331	787	189	-
Elementary contributions and donations	2,789	-	-	-	2,789
Elementary student council	5,444	7,219	6,099	-	6,564
Elementary student miscellaneous	139	203	198	-	144
Family Career Community Leader of America	5,641	4,736	5,128	-	5,249
Football	-	7,132	10,615	3,483	-
Future Farmers of America	11,898	42,917	36,758	(14,670)	3,387
Gallery photo fund	492	937	401	-	1,028
General miscellaneous	-	400	1,207	807	-
Girls basketball	-	7,468	5,666	(204)	1,598
Girls track	-	3,165	3,459	294	-
Golf	5,334	284	1,889	(3,729)	-
High school student council	2,417	4,805	5,604	-	1,618
Interest	287	58	-	(341)	4
Junior high band	760	100	5	(444)	411
Junior high student council	41	-	-	-	41
Magazine sales	-	5,210	2,593	(2,617)	-
Musical	-	3,343	2,216	-	1,127
National Honor Society	102	-	-	-	102
Other	110	-	-	(110)	-
Pep bus/students	3	480	480	6,855	6,858
Pep club	262	4,816	5,968	1,353	463
Quiz bowl	599	605	524	-	680
Recycling	3,462	4,523	4,651	(39)	3,295
Resale elementary band	-	376	416	40	-
Resale high school band	251	971	1,030	-	192
Resale industrial arts	-	520	470	-	50
Resale marketing	1,526	79	573	-	1,032
School play	2,382	1,034	706	(744)	1,966
Secondary contributions and donations	54	251	3,451	5,962	2,816
Sixth grade trip	2,631	9,083	9,439	5,480	7,755
Softball	1,584	3,740	7,312	2,318	330
Spanish club	1,169	-	-	-	1,169
Speech	-	410	1,154	744	-
Swing show	2,180	-	-	(2,180)	-
Vocal	-	5,847	9,444	3,597	-
Volleyball	-	4,631	4,872	241	-
Wrestling	-	49	3,830	3,781	-
Yearbook	2,604	14,061	12,045	-	4,620
Yearbook - gallery	1,682	-	-	-	1,682
Total	\$ 80,946	\$ 196,283	\$ 199,607	\$ -	\$ 77,622

See accompanying independent auditor's report.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2014

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 339,100	\$ 240,704	\$ 579,804
Receivables:			
Property tax:			
Delinquent	-	1,775	1,775
Succeeding year	-	384,961	384,961
Due from other governments	<u>88,811</u>	<u>37,180</u>	<u>125,991</u>
Total assets	<u>\$ 427,911</u>	<u>\$ 664,620</u>	<u>\$ 1,092,531</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 6,612	\$ 1,000	\$ 7,612
Total liabilities	<u>\$ 6,612</u>	<u>\$ 1,000</u>	<u>\$ 7,612</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 384,961	\$ 384,961
Other	<u>-</u>	<u>37,180</u>	<u>37,180</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 422,141</u>	<u>\$ 422,141</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 421,299	\$ -	\$ 421,299
Physical plant and equipment	<u>-</u>	<u>241,479</u>	<u>241,479</u>
	<u>\$ 421,299</u>	<u>\$ 241,479</u>	<u>\$ 662,778</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 427,911</u>	<u>\$ 664,620</u>	<u>\$ 1,092,531</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	\$ 267,763	\$ 267,763
Other	794	27,607	28,401
State sources	<u>547,227</u>	<u>76</u>	<u>547,303</u>
Total revenues	<u>\$ 548,021</u>	<u>\$ 295,446</u>	<u>\$ 843,467</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ -	\$ 14,487	\$ 14,487
Support services:			
Administration	\$ -	\$ 89,158	\$ 89,158
Operation and maintenance of plant	-	36,796	36,796
	<u>\$ -</u>	<u>\$ 125,954</u>	<u>\$ 125,954</u>
Other expenditures:			
Facilities acquisition	\$ 452,378	\$ 365,465	\$ 817,843
Total expenditures	<u>\$ 452,378</u>	<u>\$ 505,906</u>	<u>\$ 958,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 95,643</u>	<u>\$ (210,460)</u>	<u>\$ (114,817)</u>
Other financing uses:			
Operating transfers out	\$ (276,024)	\$ -	\$ (276,024)
Total other financing uses	<u>\$ (276,024)</u>	<u>\$ -</u>	<u>\$ (276,024)</u>
Change in fund balances	<u>\$ (180,381)</u>	<u>\$ (210,460)</u>	<u>\$ (390,841)</u>
Fund balances beginning of year	<u>\$ 601,680</u>	<u>\$ 451,939</u>	<u>\$ 1,053,619</u>
Fund balances end of year	<u>\$ 421,299</u>	<u>\$ 241,479</u>	<u>\$ 662,778</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,045,558	\$ 3,412,141	\$ 3,214,703	\$ 3,041,032	\$ 2,654,565	\$ 2,587,833	\$ 2,412,950	\$ 2,403,753	\$ 2,293,349	\$ 2,298,543
Tuition	267,227	247,966	266,152	316,238	312,532	307,400	294,823	264,514	294,581	251,351
Other	359,192	337,389	346,774	330,454	280,083	280,218	374,147	389,169	306,137	247,944
State sources	4,117,477	3,385,539	3,335,866	3,079,186	2,837,500	3,254,603	3,151,642	2,695,903	2,903,503	2,685,069
Federal sources	261,499	229,097	309,428	289,147	608,627	241,191	219,844	264,126	292,622	270,810
Other financing sources (uses)	2,977	8,790	414,948	(1,836)	53,162	28,114	10,751	24,494	18,845	-
Total	<u>\$ 8,053,930</u>	<u>\$ 7,620,922</u>	<u>\$ 7,887,871</u>	<u>\$ 7,054,221</u>	<u>\$ 6,746,469</u>	<u>\$ 6,699,359</u>	<u>\$ 6,464,157</u>	<u>\$ 6,041,959</u>	<u>\$ 6,109,037</u>	<u>\$ 5,753,717</u>
Expenditures:										
Instruction:										
Regular	\$ 3,054,108	\$ 3,048,799	\$ 3,434,096	\$ 2,780,360	\$ 2,816,106	\$ 2,642,436	\$ 2,640,587	\$ 2,383,420	\$ 2,428,834	\$ 2,314,176
Special	1,054,096	926,715	863,791	847,500	854,291	842,337	932,062	882,231	769,968	804,400
Other	609,818	561,167	535,850	519,609	535,171	543,132	549,878	488,860	457,653	336,175
Support services:										
Student	78,939	90,044	69,075	74,236	63,960	140,641	126,826	118,532	115,089	64,445
Instructional staff	65,462	63,542	59,260	71,308	71,651	67,331	48,057	46,867	181,236	108,945
Administration	918,497	841,167	767,447	933,179	802,835	664,964	600,002	581,519	624,745	555,994
Operation and maintenance of plant	465,281	405,672	356,701	389,581	361,994	513,281	492,197	514,328	339,590	344,973
Transportation	296,048	412,012	280,662	383,626	253,939	340,854	307,360	387,423	206,688	229,499
Other expenditures:										
Facilities acquisition	817,843	234,978	96,920	16,606	73,433	265,287	834,261	677,874	166,595	67,055
Long-term debt:										
Principal	442,400	434,526	432,527	322,857	337,857	297,857	287,857	140,000	135,000	125,000
Interest and fiscal charges	52,469	66,613	76,098	82,130	123,780	140,122	155,819	113,058	119,809	126,058
AEA flow through	280,184	269,161	258,850	282,067	282,451	252,631	240,409	233,110	227,179	210,741
Total	<u>\$ 8,135,145</u>	<u>\$ 7,354,396</u>	<u>\$ 7,231,277</u>	<u>\$ 6,703,059</u>	<u>\$ 6,577,468</u>	<u>\$ 6,710,873</u>	<u>\$ 7,215,315</u>	<u>\$ 6,567,222</u>	<u>\$ 5,772,386</u>	<u>\$ 5,287,461</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

JUNE 30, 2014

	<u>Employee Pop Account</u>	<u>Employee Flex Account</u>	<u>Total</u>
ASSETS:			
Cash, cash equivalents and pooled investments	\$ <u>6,259</u>	\$ <u>33,706</u>	\$ <u>39,965</u>
LIABILITIES:			
Due to others	\$ <u>6,259</u>	\$ <u>33,706</u>	\$ <u>39,965</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>EMPLOYEE POP ACCOUNT</u>				
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 6,086	\$ 1,873	\$ 1,700	\$ 6,259
LIABILITIES:				
Due to others	\$ 6,086	\$ 1,873	\$ 1,700	\$ 6,259
<u>EMPLOYEE FLEX ACCOUNT</u>				
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 18,276	\$ 66,004	\$ 50,574	\$ 33,706
LIABILITIES:				
Due to others	\$ 18,276	\$ 66,004	\$ 50,574	\$ 33,706
<u>TOTAL</u>				
ASSETS:				
Cash, cash equivalents and pooled investments	\$ 24,362	\$ 67,877	\$ 52,274	\$ 39,965
LIABILITIES:				
Due to others	\$ 24,362	\$ 67,877	\$ 52,274	\$ 39,965



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boyden-Hull Community School District (the District) as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2015.

Internal Control over Financial Reporting

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

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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify a deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses, as item I-A-14 that we consider to be a material weaknesses.



Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

Boyden-Hull Community School District's Responses to Findings

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

February 4, 2015
Sioux City, Iowa

King Reinsch Prosser & Co. LLP

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

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

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

Conclusion - Response accepted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amended certified budget amounts in any of the program functions.
- II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 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 ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- II-K-14 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

(CONTINUED)

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

II-L-14 Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 601,680
Revenues/transfers in:		
Sales tax revenues	\$ 547,227	
Other local revenues	<u>794</u>	
		<u>548,021</u>
		\$ 1,149,701
Expenditures/transfers out:		
Transfers to debt service fund	\$ 276,024	
Construction in progress	451,628	
Other	<u>750</u>	
		<u>728,402</u>
Ending Balance		<u>\$ 421,299</u>

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