

**BOX ELDER
SCHOOL DISTRICT**
Brigham City, Utah

**ANNUAL FINANCIAL
REPORT**

**For the Fiscal Year Ended
June 30, 2013**

BOX ELDER SCHOOL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

BOX ELDER SCHOOL DISTRICT
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October 26, 2013

To: President Smith, Members of the Board of Education, and the Patrons of the Box Elder School District:

State law requires that school districts publish, within five months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed Certified Public Accountants in accordance with auditing standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the annual financial report of the Box Elder School District (District) for the fiscal year ended June 30, 2013.

These statements are designed to meet the needs of a broad spectrum of readers of financial statements and are divided into three major sections:

- Introductory section – Introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, the list of elected and appointed officials, and a map of precincts of the Board of Education.
- Financial section – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- Statistical section – Contains substantial financial information, but presents tables that differ from financial statements in that they present non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends as well as the fiscal capacity of the District.

Internal controls This report consists of management's representations concerning the finance related internal controls of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent audits Wiggins & Co. P.C., a firm of licensed Certified Public Accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a

test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the District's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's Single Audit Section of this report.

Management's discussion and analysis GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

District profile The District was created by a resolution of the Box Elder County Commissioners on June 20, 1907. The District is a legally separate entity enjoying all rights and privileges accorded political subdivisions in the State of Utah. The District is fiscally independent. Policymaking and legislative authority are vested in the Board of Education consisting of seven members. The Board of Education is responsible, among other things, for developing and adopting policy, adopting the budget, levying taxes, incurring bonded debt, supervising committees, and hiring both the superintendent and business administrator. The superintendent and business administrator are responsible for carrying out the policies of the Board of Education and oversee the day-to-day operations of the District. The Board of Education is elected on a non-partisan basis. Board members serve four-year staggered terms with no more than four board members elected every two years.

The major purpose of the District is to provide public education for those who reside within the boundaries of the District, which are congruent with boundaries of Box Elder County. To accomplish this purpose, as of Fall 2013, the District operates two traditional high schools (grades 10-12), two middle schools (grades 8-9), two intermediate schools (grades 6-7), and 14 elementary schools (grades k-5). The District also operates three schools in the far western area of the county, which are designated as Necessarily Existent Small Schools (NESS). These schools have enrollments of 10 to 47 students and provide instruction for classes ranging from kindergarten through tenth grade. In addition, the District operates an alternative high school, Dale Young Community High School. As of October 1, 2013, the District had an enrollment of 11,129 students.

Budgetary control The District adopts an annual budget for its funds. This budget acts as the financial operating plan for the entire year. Revisions may be implemented during the year authorizing a larger appropriation of available resources through a public hearing and approval from the Board.

All annual appropriations lapse at fiscal year end with the exception of those indicated as committed against the fund balance. During May of each year, the superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Also included is the final budget for the fiscal year ending June 30th.

If the district does not propose to exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is formally adopted by resolution of the Board after public input. If the District proposes to exceed the certified tax rate, the budget is formally adopted in August when data is available to set the rates.

The District's fiscal 2013 balances along with anticipated revenues are sufficient to meet the fiscal 2014 budget as presented to the public in June of 2013.

Economic condition and outlook The economic prospect for the District is largely dependent on state aid, which has declined over the past five years from 62% to 52% of general fund revenues. Since 1988, the State of Utah has been able to end each fiscal year with a surplus. However, from fiscal years 2002 through 2004, the rate of Utah's economic growth slowed. Fiscal years 2006 and 2007 were more robust with healthy surplus balances. Tax receipts for the State of Utah have been gradually recovering since the recession and Public Education has been the recipient of a generous effort by lawmakers and the governor, to be held harmless in budgeting.

The Certified Tax Rate Valuation for Box Elder County has increased by 57.91% over six years from 2006 to 2012. The construction of the Proctor & Gamble manufacturing facility and the Ruby Pipeline will serve to increase property values over the next few years despite a loss of \$73,000,000 taxable value with the shutdown of ATK's production facilities. Total non-farm payroll in the county has decreased from \$738,870,420 in 2006 to \$588,358,461 in 2011. (-16.5%) (Utah Division of Work Force Services) Median household income increased from \$50,231 to \$55,588 (10.6%) over the same period. (US Dept. Commerce census figures)

Student enrollment Enrollment has declined from a high of 11,320 in the October 1st count in 1993 to 11,129 in 2013, which is 130 students more than last year. The district is still recovering from the student loss as a result of the opening of the Promontory School of Expeditionary Learning, K-8 Charter School, in Perry, Utah. As of October 1, 2013, some 396 students enrolled in the charter school who were attending our schools last year.

The state school finance program for fiscal 2013 provided every Utah school district with a basic operation program of \$2,899 per weighted pupil unit (WPU), plus added amounts for other special programs and grants. Below is a historical review of WPU values for the past five years.

Fiscal Year	WPU Value	Dollar Change	Percent Change
2008-09	2,577	\$63	2.44%
2009-10	2,577	\$0	0%
2010-11	2,577	\$0	0%
2011-12	2,816	\$239	8.49%
2012-13	2,899	\$83	2.86%

Cash management and investments The District utilizes the Utah Public Treasurer's Investment Fund (UPTIF) as a cash and investment pool as well as a Zions Bank Liquid Asset Management (LAM) account, both of which are available for use by all funds. The UPTIF is an external deposit and investment pool shared by various governmental entities in the State in which monies are pooled to improve investment efficiency and yield. These funds are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The LAM account invests in similar state money management council approved investments.

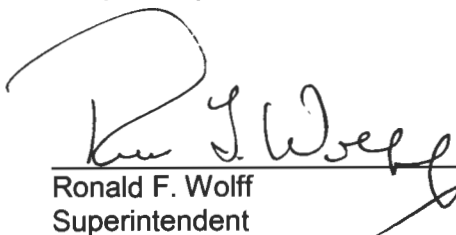
Both investments comply with the provisions of the Utah Money Management Act. This law requires the depositing of funds in a "qualified depository" which is defined as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. The District considers the actions of the Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

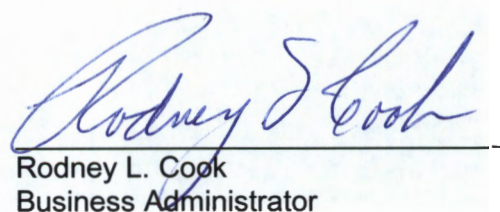
Risk management The District participates with an equity position in the Utah School Boards Risk Management Mutual Insurance Association to cover its workers compensation risks. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District also participates in the State Risk Management system for property and liability insurance. This is a pooled arrangement where the participating entity's annual premiums are designed to pay claims and build sufficient reserves to allow the system to protect participants with its own capital. The pool reinsures excess loss to preserve the capital base.

Acknowledgements We express our appreciation to everyone in the business department and the Superintendent's office who assisted in the preparation of this report. We also thank the members of the Board of Education for their interest and support in conducting the financial affairs of the District in a responsible and progressive manner.

Respectfully submitted,



Ronald F. Wolff
Superintendent



Rodney L. Cook
Business Administrator

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Box Elder School District
Brigham City, Utah 84302

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Box Elder School District, Utah (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 entity'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 entity'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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Box Elder School District as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-13 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

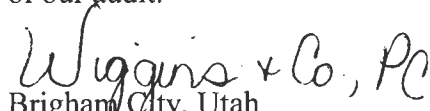
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Box Elder School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual major and nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued a report dated October 26, 2013, on our consideration of Box Elder School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Brigham City, Utah
October 26, 2013

Management's Discussion and Analysis

As the management of the Box Elder School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 4 of this report.

Financial Highlights

The District categorizes its revenues in three groups by source, federal, state, and local. Federal revenues include categorical funding for special programs, grants, and other specifically designated purposes. State revenues include categorical funding as described above, enrollment based funding using weighted pupil units (WPU), and other funding which is distributed by various formulas designed to assure an equitable allocation among all districts in the state. Local revenues are derived from property tax, tuition, other fees and charges, and interest income.

On November 6, 2007, District patrons approved a \$70,000,000 bond issue for the purpose of purchasing one or more school sites, buildings and furnishings and improving existing school property. On August 27, 2008, \$25,000,000 of that authorization was issued at a premium of \$597,277.25 and construction/refurbishing of the District's two high schools began. An additional \$31,000,000 issue was closed on June 17, 2009 at a premium of \$618,633.00. Those projects were completed during the Fiscal Year ending June 30, 2011. At the meeting of October 12, 2011, the Board adopted a Parameters Resolution in preparation for the sale of the remaining \$14,000,000 to complete the elementary school projects. The sale was held on November 9, 2011 and the District received a premium of \$1,864,248.90 on the sale. The premium received on the sale of these three issues has allowed the District to replace the gym at the Box Elder Middle School and to build a replacement for the elementary school at Snowville. In addition, the Municipal Building Authority (MBA) sought and received an additional \$3,000,000 through a Qualified School Construction Bond (QSCB). Zions Bank purchased the entire issue at par but with an interest rate of 0%. That funding has been applied to the construction of the Fielding Elementary school. The Snowville School and Box Elder Middle School Gym projects were both completed in the 2013 fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements The Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the assets and deferred outflows and liabilities and deferred inflows of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 – 20 of this report.

Proprietary funds Proprietary funds are used to account for the business-type activities, such as leasing buildings or equipment, which may properly be conducted by the governmental entity. Proprietary funds are reflected in the government-wide financial statement.

The District uses a proprietary fund to account for the activities of the Municipal Building Authority. The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 24 of this report.

Component unit A Component Unit is a distinct legal entity separate from the District, the resource of which is dedicated to furthering the interests of the District. These funds are **not** reflected in the government-wide financial statements because the resources of those funds are not available at the District's discretion. However, since those resources are dedicated to furthering the interests of the District the financial statements of the Box Elder County School District Foundation are presented as a component unit.

Notes to the financial statements The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-50 of this report.

Other information The combining statements referred to in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 53-57 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. The District assets and deferred outflows exceeded liabilities and deferred inflows by \$111,812,887 at the close of the most recent fiscal year.

BOX ELDER SCHOOL DISTRICTS Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital and other assets	\$ 84,335,376	\$ 84,323,850	\$ 321,968	\$ 324,524	\$ 84,657,344	\$ 84,648,374
Capital assets	125,825,602	126,023,768	2,932,081	2,968,945	128,757,683	128,992,713
Total assets	210,160,978	210,347,618	3,254,049	3,293,469	213,415,027	213,641,087
Other Liabilities	7,392,767	8,610,296	-	-	7,392,767	8,610,296
Long-term liabilities outstanding	63,013,258	67,247,939	2,786,000	3,000,000	65,799,258	70,247,939
Total liabilities	70,406,025	75,858,235	2,786,000	3,000,000	73,192,025	78,858,235
Deferred Outflows (Unearned Property Taxes)	27,942,066	27,853,832	-	-	27,942,066	27,853,832
Total Liabilities and Deferred Outflows	98,348,091	103,712,067	2,786,000	3,000,000	101,134,091	106,712,067
Net position:						
Invested in capital assets, net of related debt	71,864,319	67,923,768			71,864,319	67,923,768
Restricted	39,400,293	36,468,089			39,400,293	36,468,089
Unrestricted	548,275	2,243,694	468,049	293,469	1,016,324	2,537,163
Total net position	\$ 111,812,887	\$ 106,635,551	\$ 468,049	\$ 293,469	\$ 112,280,936	\$ 106,929,020

The largest portion of the District's net position (60%) reflects its investment in capital assets (e.g. land, water stock, buildings and improvements, furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are **not** available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (40%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$548,275 may be used to meet the District's ongoing obligations to students, employees, and creditors.

BOX ELDER SCHOOL DISTRICT'S Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 6,912,024	\$ 6,472,370	\$ -	\$ -	\$ 6,912,024	\$ 6,472,370
Operating grants and contributions	23,137,279	26,458,547			23,137,279	26,458,547
Capital grants and contributions	13,464	1,137,484			13,464	1,137,484
General revenues:						
Property taxes	33,210,405	30,491,905			33,210,405	30,491,905
Federal and state aid not restricted to specific purposes	27,668,024	27,618,825			27,668,024	27,618,825
Earnings on investments	762,437	731,932	283	20,377	762,720	752,309
Gain (loss) on sale of assets	42,493	(202,420)			42,493	(202,420)
Total revenues	91,746,126	92,708,643	283	20,377	91,746,409	92,729,020
Expenses:						
Instructional services	46,938,190	46,706,541			46,938,190	46,706,541
Supporting services:						
Students	2,137,811	2,236,476			2,137,811	2,236,476
Instructional staff	1,363,773	1,573,633			1,363,773	1,573,633
District administration	676,940	626,874			676,940	626,874
School administration	4,581,746	4,760,481			4,581,746	4,760,481
Business	2,174,953	1,809,489			2,174,953	1,809,489
Operation and maintenance of facilities	6,873,260	6,763,332			6,873,260	6,763,332
Transportation	4,414,699	5,006,081			4,414,699	5,006,081
Non-instructional services	1,835,006	1,811,979			1,835,006	1,811,979
Community services	1,752,830	1,732,207			1,752,830	1,732,207
Student Activities	3,193,005	2,878,836			3,193,005	2,878,836
School food services	5,016,215	4,763,490			5,016,215	4,763,490
Capital outlay	3,257,572	4,161,392			3,257,572	4,161,392
Interest on long-term liabilities	2,352,790	2,226,629			2,352,790	2,226,629
Total expenses	86,568,790	87,057,440	-	-	86,568,790	87,057,440
Business Type Activities:						
Municipal Building Authority		-	174,297	-		-
Excess of revenues over expenditures	5,177,336	5,651,203	174,580	20,377	5,351,916	5,671,580
Change in net position	5,177,336	5,651,203	174,580	20,377	5,351,916	5,671,580
Net position-beginning-as restated	106,635,551	100,984,348	293,469	273,092	106,929,020	101,257,440
Net position-ending	\$ 111,812,887	\$ 106,635,551	\$ 468,049	\$ 293,469	\$ 112,280,936	\$ 106,929,020

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position, both for the District as a whole, as well as for its separate governmental activities. This status is consistent with that of the prior fiscal year.

The total net position of the District grew by \$5,351,916 during the fiscal year. This is due to the new construction projects, prudent budgeting and careful management of the District's funds.

Financial Analysis of the District's Funds

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

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The fund balance is divided between non-spendable, restricted, committed, assigned and unassigned balances. The District has portions of the assigned fund balance to set resources aside for certain government-wide liabilities that are not recognized in the governmental funds. State law allows for assigned

balances in the General Fund to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are set aside by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the fiscal year, the unassigned fund balance was \$3,116,551. The Governmental Accounting Standards Board (GASB) Statement #54 has established a requirement for categorization of the fund balances that combines the former designations of Undistributed Reserve and Unappropriated balances together in a new category, named Unassigned. This category has a combined balance of \$3,116,551 which includes the Undistributed Reserve, or 'Rainy Day' fund established and reserved by Board action in the amount of \$2,320,000. The total fund balance was \$8,376,856. The unassigned fund balance increased by \$51,485 while the total fund balance decreased by \$1,250,903 during the current fiscal year. Key factors in this change are as follows:

- The decrease in unassigned fund balances is due to expenditures exceeding revenues.
- The decrease in fund balance occurs as the programs adapt to shrinking revenues.

Expenditures for general District purposes totaled \$65,749,634, an increase of 3 % over the previous year. Instructional services represent 65.6% of general fund expenditures.

The General Fund balances have been assigned or restricted for the following purposes:

- Assignment for undistributed reserve of \$2,320,000 or 3.7% of General Fund budgeted revenues. As allowed by state law, the District has established reserves within the General Fund, which are set aside for contingencies or possible reductions in state funding. These funds are not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating. State law limits such reserves to 5% of general fund budgeted revenues.
- Restriction or assignment for programs of \$5,260,305. Fund balance within the General Fund is restricted or set aside to pay for assigned purposes, commitments and program activities at June 30, 2013 that will be re-appropriated and honored during the subsequent year.

General Fund salaries totaled \$38,761,996, while the associated fringe benefits of retirement, social security, unemployment, worker's compensation, and health and accident insurance added \$17,116,247 in wage related expense, which taken together accounts for 84.9% of General Fund expenditures.

The Capital Projects Fund has a total balance of \$27,917,782, all of which is reserved for acquisition of capital assets and purchase of construction supplies and related expenditures. These funds will also be used for some of the expense related to the ongoing major construction projects and other major capital maintenance.

The School Lunch Special Revenue Fund balance of \$819,290 includes \$129,466 for inventories. The entire balance is to be used for the school lunch program.

The Box Elder County School District Foundation received income in the form of grants, contributions, and earnings on investments of \$60,923, which is an decrease of \$16,827 over the previous year.

General Fund Budgetary Highlights

The amount expended was \$2,078,413 less than the final budget or 3% of total general fund expenditures. Final revenues were lower than final budgetary estimates by \$3,458,944 or 5.3%

Capital Asset and Debt Administration

Capital Assets The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The District operates schools in twenty-three locations with administrative and maintenance facilities at three separate sites. These buildings total more than 1,732,139 square feet and are spread across an area of 5,723 square miles, which is more than any of the three smallest states. These structures and their additions have construction dates ranging from 1912 to 2013.

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District, which was \$4,001,482,826. Therefore, the legal debt limit at June 30, 2013, is \$160,059,313. General obligation debt at June 30, 2013 was \$53,750,000 resulting in a legal debt margin of \$106,309,313.

Additional information on the District's long-term debt can be found in Note 6 to the basic financial statements.

Changing Enrollment within the District

The components of changing enrollment are migration and the kindergarten-to-grade-12 (K-12) differential. The K-12 differential is the variance in the number of kindergarten students entering and the number of grade 12 students leaving the District in a given year.

Enrollment in the District has been consistently declining since 1993, from a high of 11,320 to the present level of 11,131, as compared to last year's enrollment of 11,187. After four years of slightly increasing enrollment, this interruption may signal a change in the recent trend. However, if the birth and migration trends of the past five years prevail, student population could increase to the 1993 enrollment of 11,320 in the next two years. Any increase in student population will also increase basic funding from the state. Much of that growth has been blunted by the recent opening of the Promontory School of Expeditionary Learning (a charter school) in Perry, Utah.

Requests for Information

This financial report is designed to provide a general overview of the Box Elder School District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this report or requests for additional financial information or copies of the separately issued Foundation report should be addressed to the Office of the Business Administrator, Box Elder School District, 960 South Main, Brigham City, Utah 84302-3162.

Basic Financial Statements

BOX ELDER SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 46,737,939	\$ 321,968	\$ 47,059,907	\$ 126,038
Investments	7,381,686	-	7,381,686	323,448
Receivables:				
Taxes	27,942,066	-	27,942,066	-
Accounts	131,789	-	131,789	1,374
Intergovernmental	1,942,430	-	1,942,430	-
Deposits	70,000	-	70,000	-
Inventories	129,466	-	129,466	-
Restricted cash and cash equivalents	-	248	248	-
Capital assets:				
Land, construction in progress, and water stock	12,082,625	-	12,082,625	-
Other capital assets, net of depreciation	113,742,977	2,931,833	116,674,810	-
Total assets	210,160,978	3,254,049	213,415,027	450,860
Liabilities and Deferred Outflows of Resources:				
Accounts payable	685,891	-	685,891	21,742
Contracts and retainage payable	197,557	-	197,557	-
Deposits payable	320,392	-	320,392	-
Accrued interest	1,077,281	-	1,077,281	-
Accrued salaries and benefits	3,958,720	-	3,958,720	-
Due to clubs	1,152,926	-	1,152,926	-
Unearned revenue	-	-	-	-
Noncurrent liabilities:				
Due within one year	4,260,000	214,000	4,474,000	-
Due in more than one year	58,753,258	2,572,000	61,325,258	-
Total liabilities	70,406,025	2,786,000	73,192,025	21,742
Deferred Outflows of Resources:				
Unearned property taxes	27,942,066	-	27,942,066	-
Total liabilities and deferred outflows of resources	98,348,091	2,786,000	101,134,091	21,742
Net Position:				
Invested in capital assets, net of related debt	71,864,319	-	71,864,319	-
Restricted for:				
Non-expendable amounts:				
School food services inventory	129,466	-	129,466	-
Endowments	-	-	-	34,900
Expendable amounts:				
State and other programs	7,600,678	-	7,600,678	-
Non K-12 programs	188,470	-	188,470	-
Student activities	521,697	-	521,697	-
School food services	689,824	-	689,824	-
Debt service	8,087,458	-	8,087,458	-
Capital projects	22,182,700	-	22,182,700	-
Foundation programs	-	-	-	358,081
Unrestricted	548,275	468,049	1,016,324	36,137
Total net position	\$ 111,812,887	\$ 468,049	\$ 112,280,936	\$ 429,118

The notes to the financial statements are an integral part of this statement.

**BOX ELDER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Component Unit Box Elder School District Foundation
Governmental activities:								
Instructional services	\$ 46,938,190	\$ 2,153,402	\$ 14,936,472	\$ -	\$ (29,848,316)	\$ -	\$ (29,848,316)	\$ -
Supporting services:								
Students	2,137,811	483,722	18,516	-	(1,635,573)	-	(1,635,573)	-
Instructional staff	1,363,773	-	11,481	-	(1,352,292)	-	(1,352,292)	-
District administration	676,940	-	-	-	(676,940)	-	(676,940)	-
School administration	4,581,746	-	-	-	(4,581,746)	-	(4,581,746)	-
Business	2,174,953	-	-	-	(2,174,953)	-	(2,174,953)	-
Operation and maintenance of facilities	6,873,260	-	-	-	(6,873,260)	-	(6,873,260)	-
Transportation	4,414,699	102,509	2,672,813	-	(1,639,377)	-	(1,639,377)	-
Community services	1,752,830	382,542	-	-	(1,370,288)	-	(1,370,288)	-
Non-instructional services	1,835,006	163,597	1,198,477	-	(472,932)	-	(472,932)	-
Student activities	3,193,005	2,332,162	836,633	-	(24,210)	-	(24,210)	-
School food services	5,016,215	1,201,570	3,462,887	-	(351,758)	-	(351,758)	-
Facilities acquisition/construction/operation	3,257,572	92,520	-	13,464	(3,151,588)	-	(3,151,588)	-
Interest and fiscal charges on long-term liabilities	2,352,790	-	-	-	(2,352,790)	-	(2,352,790)	-
Total governmental activities	86,568,790	6,912,024	23,137,279	13,464	(56,506,023)	-	(56,506,023)	-
Business-type activities:								
Municipal Building Authority	188,412	213,909	148,800	-	-	174,297	174,297	-
Total primary government	86,757,202	7,125,933	23,286,079	13,464	(56,506,023)	174,297	(56,331,726)	-
Component unit:								
Box Elder School District Foundation	68,588	-	59,469	-				(9,119)
General revenues:								
Property taxes levied for:								
Basic rate					6,762,165	-	6,762,165	-
Voted leeway					2,262,761	-	2,262,761	-
Board local leeway					6,803,289	-	6,803,289	-
Debt service					7,897,428	-	7,897,428	-
Capital outlay					9,484,762	-	9,484,762	-
Federal and state aid not restricted to specific purposes					27,668,024	-	27,668,024	-
Earnings on investments					762,437	283	762,720	1,454
Gain (loss) on sale of assets					42,493	-	42,493	-
Total general revenues					61,683,359	283	61,683,642	1,454
Change in net assets					5,177,336	174,580	5,351,916	(7,665)
Net position - beginning of year - as restated					106,635,551	293,469	106,929,020	436,783
Net position - end of year					\$ 111,812,887	\$ 468,049	\$ 112,280,936	\$ 429,118

The notes to the financial statements are an integral part of this statement.

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BOX ELDER SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and cash equivalents	\$ 11,517,329	\$ 9,074,470	\$ 24,757,375	\$ 2,321,971	\$ 47,671,145
Investments	2,794,274	-	4,587,412		7,381,686
Receivables:					
Taxes	13,030,023	6,812,475	8,099,568	-	27,942,066
Account	119,501	-	-	12,288	131,789
Intergovernmental	1,534,969	-	-	407,461	1,942,430
Restricted cash and cash equivalents	-	-	-	-	-
Deposits	70,000	-	-	-	70,000
Inventory	-	-	-	129,466	129,466
Total Assets	<u>\$ 29,066,096</u>	<u>\$ 15,886,945</u>	<u>\$ 37,444,355</u>	<u>\$ 2,871,186</u>	<u>\$ 85,268,582</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ 623,920	\$ -	\$ 20,871	\$ 41,100	\$ 685,891
Contracts and retainage payable	-	-	197,557	-	197,557
Deposits payable	1,253,598	-	-	-	1,253,598
Due to clubs	-	-	-	1,152,926	1,152,926
Accrued salaries and benefits	3,811,017	-	-	147,703	3,958,720
Unearned revenue	1,970,682	987,012	1,208,577	-	4,166,271
Total Liabilities	<u>7,659,217</u>	<u>987,012</u>	<u>1,427,005</u>	<u>1,341,729</u>	<u>11,414,963</u>
Deferred Inflows of Resources:					
Unearned property taxes	13,030,023	6,812,475	8,099,568	-	27,942,066
Total Liabilities and Deferred Inflows of Resources	<u>20,689,240</u>	<u>7,799,487</u>	<u>9,526,573</u>	<u>1,341,729</u>	<u>39,357,029</u>
Fund Balances:					
Non-spendable:					
Inventories	-	-	-	129,466	129,466
Restricted:					
State programs	1,865,596	-	5,735,082	-	7,600,678
Debt service	-	8,087,458	-	-	8,087,458
Other programs	-	-	-	-	-
Committed:					
Capital projects	-	-	5,838,736	-	5,838,736
Assigned:					
Capital projects	-	-	16,343,964	-	16,343,964
Non-major special revenue funds	-	-	-	1,399,991	1,399,991
Other purposes	3,394,709	-	-	-	3,394,709
Unassigned	3,116,551	-	-	-	3,116,551
Total Fund Balance	<u>8,376,856</u>	<u>8,087,458</u>	<u>27,917,782</u>	<u>1,529,457</u>	<u>45,911,553</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 29,066,096</u>	<u>\$ 15,886,945</u>	<u>\$ 37,444,355</u>	<u>\$ 2,871,186</u>	<u>\$ 85,268,582</u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance - governmental funds	\$ 45,911,553
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$182,573,933 and the accumulated depreciation is \$(56,748,331).	125,825,602
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Property tax revenue is recognized when earned (claim to resources established) rather than when available. A portion of the deferred property tax revenue is not available.	4,166,271
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Cash and deposits payable are offset in the governmental wide financial statements but reported in the fund financial statements because the transactions are between two different funds. \$933,206 was eliminated from cash and cash equivalents and deposits payable for the government wide financial statements because the Student Activities Fund reported the investment held by the District as cash and cash equivalents in the fund financial statements and the General Fund reported a corresponding deposits payable.	-
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of :

Bonds payable	\$ (53,750,000)	
Bond premium	(2,279,443)	
Termination benefits	(6,485,792)	
Compensated absences	(286,740)	
Accrued interest on bonds	(1,077,281)	
Capital lease payable	(211,283)	
	(64,090,539)	(64,090,539)

Total net position - governmental activities	<u>\$ 111,812,887</u>
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The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds			Other	Total Governmental
	General	Debt Service	Capital Projects	Governmental Funds	
Revenues:					
Property taxes	\$ 15,564,026	\$ 7,795,213	\$ 9,545,081	\$ -	\$ 32,904,320
Charges for services	2,638,453	-	92,520	3,697,329	6,428,302
Other programs and grants	188,481	-	-	-	188,481
Contributions	-	-	-	836,633	836,633
Earnings on investments	218,901	30,710	170,503	15,206	435,320
State aid	41,421,932	-	13,464	1,744,221	43,179,617
Federal aid	4,180,615	-	-	2,584,660	6,765,275
Total revenues	<u>64,212,408</u>	<u>7,825,923</u>	<u>9,821,568</u>	<u>8,878,049</u>	<u>90,737,948</u>
Expenditures:					
Current:					
Instructional services	43,146,935	-	-	-	43,146,935
Supporting services:					
Students	2,191,221	-	-	-	2,191,221
Instructional staff	1,402,875	-	-	-	1,402,875
General administration	581,357	-	-	-	581,357
School administration	4,200,392	-	-	-	4,200,392
Business	2,117,570	-	-	-	2,117,570
Operation and maintenance of facilities	6,342,182	-	-	-	6,342,182
Student transportation	4,020,680	-	-	-	4,020,680
Student activities	-	-	-	3,193,005	3,193,005
Non-instructional services	-	-	-	1,817,562	1,817,562
Community services	1,746,422	-	-	-	1,746,422
School food services	-	-	-	4,344,107	4,344,107
Facilities acquisition/construction	-	-	8,683,086	-	8,683,086
Debt service:					
Principal retirement	-	4,350,000	-	-	4,350,000
Interest and fiscal charges	-	2,492,408	-	-	2,492,408
Other	-	6,000	-	-	6,000
Total expenditures	<u>65,749,634</u>	<u>6,848,408</u>	<u>8,683,086</u>	<u>9,354,674</u>	<u>90,635,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,537,226)</u>	<u>977,515</u>	<u>1,138,482</u>	<u>(476,625)</u>	<u>102,146</u>
Other financing sources (uses):					
Sale of fixed assets	-	-	300,649	-	300,649
Proceeds from issuance of capital lease	286,323	-	-	-	286,323
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>286,323</u>	<u>-</u>	<u>300,649</u>	<u>-</u>	<u>586,972</u>
Net change in fund balances	<u>(1,250,903)</u>	<u>977,515</u>	<u>1,439,131</u>	<u>(476,625)</u>	<u>689,118</u>
Fund balances - beginning	<u>9,627,759</u>	<u>7,109,943</u>	<u>26,478,651</u>	<u>2,006,082</u>	<u>45,222,435</u>
Fund balances - ending	<u>\$ 8,376,856</u>	<u>\$ 8,087,458</u>	<u>\$ 27,917,782</u>	<u>\$ 1,529,457</u>	<u>\$ 45,911,553</u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances-total governmental funds \$ 689,118

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. Also, in the Governmental funds proceeds from sale of capital assets is recorded as revenue, whereas in the statement of activities, capital asset sale proceeds are netted against the cost of the capital assets and the accumulated depreciation. Below are the changes for 2013:

Capital outlays	\$ 5,425,514	
Depreciation expense	(5,365,524)	
Proceeds from sale of capital assets	<u>(258,156)</u>	(198,166)

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. However, they are recorded as revenue in the statement of activities. Deferred property tax revenues decreased during the year. 306,085

In the statement of activities, commodities received are recognized as revenue and commodities used as an expense. The amount received and expensed during 2013 was \$332,483. -

Accrued interest on long-term debt reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. This is the current year change in the liability, reported as a decrease in interest expense in the statement of activities. 145,618

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. During 2013, they consist of the following:

Proceeds from capital lease	\$ (286,323)	
Bond principal payments	4,350,000	
Capital lease payments	75,040	
Amortization of bond premium	<u>327,117</u>	4,465,834

In the statement of activities, certain operating expenses, such as compensated absences and termination benefits, are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During 2013, compensated absences payable decreased by \$(19,047), termination benefits payable increased by \$250,200. (231,153)

Changes in net position of governmental activities \$ 5,177,336

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 14,709,938	\$ 15,637,194	\$ 15,564,026	\$ (73,168)
Charges for services	1,510,000	1,808,909	2,638,453	829,544
Other programs and grants	130,000	104,503	188,481	83,978
Earnings on investments	92,000	176,588	218,901	42,313
Contributions	-	-	-	-
State aid	44,842,446	45,636,158	41,421,932	(4,214,226)
Federal aid	4,040,000	4,308,000	4,180,615	(127,385)
Total revenues	65,324,384	67,671,352	64,212,408	(3,458,944)
Expenditures:				
Current:				
Instructional services	42,151,090	44,503,277	43,146,935	1,356,342
Supporting services:				
Students	2,234,814	2,211,129	2,191,221	19,908
Instructional staff	1,625,268	1,423,050	1,402,875	20,175
General administration	624,650	592,157	581,357	10,800
School administration	4,396,424	4,176,442	4,200,392	(23,950)
Business/Personnel/IT	1,771,665	1,839,397	2,117,570	(278,173)
Operation and maintenance of facilities	6,544,648	6,651,582	6,342,182	309,400
Student transportation	4,557,176	4,667,074	4,020,680	646,394
Community services	2,121,938	1,763,939	1,746,422	17,517
Total expenditures	66,027,673	67,828,047	65,749,634	2,078,413
Excess of revenues over expenditures	(703,289)	(156,695)	(1,537,226)	(1,380,531)
Other financing sources (uses):				
Proceeds from capital lease	-	-	286,323	286,323
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	286,323	286,323
Net change in fund balances	(703,289)	(156,695)	(1,250,903)	(1,094,208)
Fund balances - beginning	9,627,759	9,627,759	9,627,759	-
Fund balances - ending	\$ 8,924,470	\$ 9,471,064	\$ 8,376,856	\$ (1,094,208)

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Major Enterprise Fund</u>
	<u>Municipal Building</u>
	<u>Authority Fund</u>
Assets:	
Cash and cash equivalents	\$ 321,968
Receivables:	
Accounts	-
Restricted cash and cash equivalents	248
Capital assets:	
Land, construction in progress, and water stock	-
Buildings, net of depreciation	<u>2,931,833</u>
Total assets	<u>3,254,049</u>
Liabilities:	
Accounts payable	-
Accrued interest	-
Noncurrent liabilities:	
Due within one year	214,000
Due in more than one year	<u>2,572,000</u>
Total liabilities	<u>2,786,000</u>
Net Position:	
Invested in capital assets, net of related debt	-
Unrestricted	<u>468,049</u>
Total net position	<u>\$ 468,049</u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Enterprise Fund- Municipal Building Authority
Operating revenues:	
Charges for sales and services:	
Lease revenue	\$ 213,909
Other services	-
Total operating revenues	<u>213,909</u>
Operating expenses:	
Municipal Building Authority management	-
Depreciation	37,112
Total operating expenses	<u>37,112</u>
Operating income	<u>176,797</u>
Nonoperating revenues (expenses):	
Intergovernmental	148,800
Investment earnings	283
Interest and fiscal charges	(151,300)
Bond issuance costs amortization	-
Gain (Loss) on sale of fixed assets	-
Total nonoperating revenue (expenses)	<u>(2,217)</u>
Income before contributions and transfers	<u>174,580</u>
Transfers in	-
Transfers out	-
Change in net position	<u>174,580</u>
Total net position - beginning, as re-stated	<u>293,469</u>
Total net position - ending	<u><u>\$ 468,049</u></u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Enterprise Fund Municipal Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund lease of facilities	\$ 213,909
Payments to suppliers	-
Payments to employees	-
Other receipts	-
Net cash provided (used) by operating activities	<u>213,909</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer out to other funds	-
Net cash used by noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	-
Principal payments on lease revenue bonds	(214,000)
Interest paid on lease revenue bonds	-
Fiscal charges paid on lease revenue bonds	(2,500)
Net cash provided (used) from capital and related financing activities	<u>(216,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	283
Net cash provided from investing activities	<u>283</u>
Net increase (decrease) in cash and cash equivalents	(2,308)
Cash and cash equivalents beginning of year	<u>324,524</u>
Cash and cash equivalents end of year	<u><u>\$ 322,216</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income	\$ 176,797
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	37,112
Change in assets and liabilities:	
Accounts receivable	-
Accounts payable	-
Accrued payroll liabilities	-
Obligation for compensated absences	-
Net cash provided by (used in) operating activities	<u><u>\$ 213,909</u></u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2013

	Agency Fund
	<hr/>
Assets	
Cash and cash equivalents	\$ 52,210
Receivables-accounts	4,500
Total assets	<hr/> <u>\$ 56,710</u>
Liabilities	
Accounts payable	\$ 4,200
Accrued salaries and benefits	3,032
Intergovernmental payable	49,478
Total liabilities	<hr/> <u>\$ 56,710</u>

The notes to the financial statements are an integral part of this statement.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Box Elder School District is located in the north-central and north-western portion of the State of Utah. It was organized by State Statute and serves the citizens of Box Elder County. The District provides educational and related services.

The financial statements of Box Elder School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements include the School District, which is a political subdivision with corporate powers created under Utah State law, and its blended component unit, the Municipal Building Authority of Box Elder School District, collectively referred to as the financial reporting entity. As required by generally accepted accounting principles (GAAP), these financial statements present Box Elder School District (referred to as the "primary government" for reporting purposes) and its "component units" (separate legal entities for which the District is considered to be financially accountable). Box Elder School District Foundation is a discrete component unit, although a legally separate entity of Box Elder School District.

The Municipal Building Authority of Box Elder School District is governed by a seven-member board which is the Board of Education. Its sole purpose is to finance and construct the District's public facilities. The financial statements of the Municipal Building Authority of Box Elder School District are included in the accompanying financial statements as a blended component unit.

Box Elder School District Foundation is a separate but affiliated, self-sustaining, not-for-profit organization. The Foundation was established to provide support for the Box Elder School District, its faculty and students, and to promote, sponsor and carry out educational, scientific, charitable and related activities and objectives within the Box Elder School District. It is governed by a board of directors of up to 15 individuals. The Foundation is considered to be a component unit of the District because the purpose of the Foundation is to exclusively, or almost exclusively, benefit the District by soliciting contributions and managing the funds. The Foundation has an audit performed annually, separate from the District. A copy of that audit report can be obtained by writing to the Box Elder District Foundation, 960 South Main, Brigham City, Utah 84302.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the district function activity. Program revenues include 1) charges for services that report fees, tuition, rent, and other charges to users of the District's services; 2) operating grants and contributions that finance annual operating activities; and 3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. Administrative overhead charges are included in direct expenses.

Fund Financial Statements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. The remaining governmental funds are combined into a single column and reported as other nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Government-wide Financial Statements. The government-wide 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements. 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. "Measurable" means that amounts can be reasonably determined within the current period. 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are reported as deferred revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Minimum school program revenues and other revenues from the Utah State Office of Education are considered "measurable" and recognized as revenue when available and remitted to the District in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the District.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, termination benefits and arbitrage rebates which are recognized only when payment is due.

The District reports the following major governmental funds:

General Fund – This fund accounts for all activities not accounted for by other funds of the District and is the principal fund. The main sources of revenue for this fund are property taxes and minimum school programs funded by the Utah State office of Education.

Non K-12 Fund- The Non K-12 Fund is used to account for specific revenue sources that are legally restricted to non K-12, recreation and community services expenditures for specific purposes.

Debt Service Fund – The Debt Service Fund is used to account for specific revenue sources that are legally restricted to debt service expenditures for specific purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or maintenance of major capital projects.

The District's nonmajor governmental funds include three special revenue funds. The nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Fund Financial Statements. Proprietary funds include enterprise funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The Municipal Building Authority (MBA) of Box Elder School District is the only proprietary fund reported in the financial statements. The MBA Fund accounts for the activity and operations of leasing and constructing public facilities.

Fiduciary Fund Financial Statements. The District has one fiduciary fund – Agency Fund. Agency Funds are used to account for assets held by the District as an agent for other governments, private organizations, or individuals. Agency Funds are accounted for using the accrual basis of accounting, but due to their custodial nature (assets equal liabilities) do not present results of operations or have a measurement focus.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end. Budgets are presented on the modified accrual basis of accounting for governmental funds. Budgets are not adopted on a District level for the Box Elder School District Foundation, which is presented as a discretely presented component unit in the financial statements.

The district operates within the budget requirements as specified by State law. The financial reports reflect the following budgetary standards.

1. In May of each year, the District management submits to the Board a proposed operating budget for the next fiscal year commencing July 1. This budget includes proposed expenditures and the means of financing them. A final budget for the current year, ending June 30th, is also included.
2. The tentative budget is made available for public inspection at least ten days prior to a public hearing on adoption of the final budget.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

3. If the budget does not propose to exceed the certified tax rate, a public hearing for taxpayer input is held prior to June 22nd of each year. The budget is then legally adopted by resolution of the Board. If the budget proposes a tax rate that exceeds the certified tax rate, the budget is formally adopted in August, when data is available to set new rates.
4. Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board, but increased appropriations in the governmental funds require a public hearing prior to amending the budget. Budgets may be increased provided that notice of such action is published seven days before the meeting. The budgetary information presented includes the original budget and the final amended budget.
5. Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2013, have been included in the final budget approved by the Board, as presented in the financial statements.
6. Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as a designation to the fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
7. As determined by State law, the level for which expenditures may not legally exceed appropriations is the total budget of a given fund.
8. Negative variances in total revenues and positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on fund balance. Budgets generally assume expenditure of all available resources. Therefore, when the budget is prepared, it is assumed that these funds will not have a carryover or revenue to a subsequent year. Some program revenues received, but not spent, are restricted and deferred to the subsequent fiscal year.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deposits and Investments

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the Business Administrator in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. Restricted cash is held in the capital project account because the funds are restricted for the purpose of building or remodeling instructional facilities. When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments are recorded at fair value based upon quoted market prices as of year end, except where there is no material difference between cost and fair value. The difference between the purchase price and market price when material is recorded as interest income.

A statement of cash flows is presented for proprietary funds under the direct method. For purposes of the statement of cash flows, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Utah Public Treasurer's Investment Fund (PTIF) to be cash and cash equivalents.

F. Interfund transactions

Interfund transactions represent transactions between different funds within the District. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

Capital assets include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Position under governmental activities. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$5,000; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available, the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset's lives are not capitalized.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized.

Land, water stock, and construction in progress are not depreciated. Depreciation of all exhaustible capital assets is charged to the various functional expenses in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Equipment	5-20 years
Vehicles	5-10 years

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

It is the District's policy to permit employees to accumulate earned-but-not-used vacation benefits in accordance with negotiated agreements. The District has placed a cap on the amount of accumulated vacation benefits that will be compensated. The cap depends on employee classification and is limited to 10 days for classified employees, 15 days for administrators working under 229 day contracts and 20 days for administrators working under 243 day contracts. An estimate of vacation pay plus related payroll taxes is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

I. Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refunding), are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred as directed in GASB 65.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Net Position/Fund Balances

The difference between assets and liabilities is "Net Position" on the government-wide and "Fund Balance" on the governmental fund financial statements. Net position is divided into invested in capital assets (net of related debt), restricted non-spendable, restricted expendable, and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position/Fund Balances (continued)

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financials are as follows.

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified only school food service inventory as non-spendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purposes unless the School Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted or committed. This intent can be expressed by the School Board or the District Business Administrator. No other body or official has the authority to constrain such amounts. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance for any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position/Fund Balances (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

K. Inventories

Inventories for the School Food Services Special Revenue Fund are valued at average cost utilizing the weighted average method.

L. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. To help manage these risks, the District participates in the Utah State Risk Management Fund, a public entity that operates like an insurance carrier. The District also participates in the Utah School Boards Risk management Mutual Insurance Association to cover its workers compensation risks.

M. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2. PROPERTY TAX

The property tax revenue of the District is collected and distributed by the Box Elder County Treasurer as an agent for the District. Utah statutes establish the process by which taxes are levied and collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenue received by the District includes uncollected taxes (including delinquencies and accrued interest and penalties). It is expected that delinquent property taxes will be collected within a five year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. These property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. The property taxes levied for 2013 have been included in the taxes receivable and unearned property tax liability for the governmental fund presentation. These have been adjusted for the government-wide presentation.

An annual uniform fee based on the age of motor vehicles is levied in lieu of ad valorem tax (property tax) on motor vehicles that is due each time a vehicle is registered. Revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the motor vehicle is located in the same proportion in which revenue from ad valorem property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected by the county.

NOTE 3. RECEIVABLES

Receivables at June 30, 2013, consist of the following:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Total</u>
Governmental funds:				
General Fund	\$13,030,023	\$ 119,501	\$ 1,534,969	\$ 14,684,493
Debt Service Fund	6,812,475	-	-	6,812,475
Capital Projects Fund	8,099,568	-	-	8,099,568
Nonmajor Funds	-	12,288	407,461	419,749
Total receivables	<u>\$27,942,066</u>	<u>\$ 131,789</u>	<u>\$ 1,942,430</u>	<u>\$ 30,016,285</u>

No allowance for uncollectible accounts has been provided because the District believes that all accounts receivable are collectible.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,886,443	\$ 758,222	\$ (17,950)	\$ -	\$ 10,626,715
Construction in progress	10,440,006	-	(9,059,096)	-	1,380,910
Water stock	75,000	-	-	-	75,000
Total capital assets not being depreciated	20,401,449	758,222	(9,077,046)	-	12,082,625
Capital assets being depreciated:					
Buildings and improvements	142,165,213	12,253,824	(1,150,202)	-	153,268,835
Furniture, machinery and equipment and vehicles	16,701,901	1,472,564	(951,992)	-	17,222,473
Total capital assets being depreciated	158,867,114	13,726,388	(2,102,194)	-	170,491,308
Less accumulated depreciation					
Buildings and improvements	(42,114,876)	(4,758,807)	941,471	-	(45,932,212)
Furniture, machinery and equipment and vehicles	(11,129,919)	(606,717)	920,517	-	(10,816,119)
Total accumulated depreciation	(53,244,795)	(5,365,524)	1,861,988	-	(56,748,331)
Total capital assets being depreciated, net	105,622,319	8,360,864	(240,206)	-	113,742,977
Governmental activity capital assets, net	<u>\$ 126,023,768</u>	<u>\$ 9,119,086</u>	<u>\$ (9,317,252)</u>	<u>\$ -</u>	<u>\$ 125,825,602</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ -	\$ 2,968,945	\$ -	\$ -	\$ 2,968,945
Construction in progress	2,968,945	-	(2,968,945)	-	-
Total capital assets not being depreciated	2,968,945	2,968,945	(2,968,945)	-	2,968,945
Capital assets being depreciated:					
Buildings and improvements	-	-	-	-	-
Less accumulated depreciation					
Buildings and improvements	-	(37,112)	-	-	(37,112)
Total capital assets being depreciated, net	-	(37,112)	-	-	(37,112)
Business-type activity capital assets, net	<u>\$ 2,968,945</u>	<u>\$ 2,931,833</u>	<u>\$ (2,968,945)</u>	<u>\$ -</u>	<u>\$ 2,931,833</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 3,757,897
Support services:	
General administration	63,314
School administration	369,307
Business	53,921
Operations/Maintenance of plant	457,572
Student transportation	328,097
Community services	11,875
School food services	323,541
Total depreciation expense - governmental activities	<u>\$ 5,365,524</u>
Business-type activities:	
Municipal Building Authority	<u>\$ 37,112</u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4. CAPITAL ASSETS (continued)

The District has construction commitments for the construction projects for remodeling at Bear River Natatorium and Box Elder Natatorium. Funds have been restricted or assigned in Capital Project Fund for these commitments.

NOTE 5. RETIREMENT PLANS

Defined Benefit Plans- Box Elder School District contributes to the State and School Contributory Retirement System Tier 1 and 2 and State and School Noncontributory Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and Schools Contributory Retirement System and State and Schools Noncontributory Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1 (800) 365-8772.

Funding Policy- Plan members in the State and Schools Contributory Retirement System Tier 1 are required to contribute 6.00% of their annual covered salary (5% paid by the employer for the employee) and Box Elder School District is required to contribute 14.27% of their annual covered salary. In the State and Schools Contributory Retirement System Tier 2 there are no employee contributions and the School District contributes 15.06% of eligible salary. In the State and Schools Noncontributory Retirement System, Box Elder School District is required to contribute 18.76% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the systems are authorized by statute and specified by the Board.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5. RETIREMENT PLANS (continued)

Box Elder School District's contributions to the State and Schools Contributory Retirement System Tier 1 and 2 for the years ended June 30, 2013, 2012 and 2011, were \$177,523, \$140,703, and \$72,462, respectively; and for the State and Schools Noncontributory Retirement System the contributions for June 30, 2013 2012 and 2011 were \$6,751,930, \$6,260,518, and \$6,142,371 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans- The District also participates in the Utah Retirement System 401(k) plan. The District funds 1.5% of eligible payroll cost. Vesting is immediate. The District contributed \$1,027,004 in 2013 and employee contributions were \$599,660.

The District also participates in the Educators Mutual Insurance association 401(k) plan. The District funds 1.5% of eligible payroll costs. Vesting is immediate. The District contributed \$11,787 in 2013 and employee contributions were \$11,551.

The District also offers its employees deferred compensation plans created in accordance with Internal Revenue code Sections 457 and 403(b). The plans, available to all full-time employees, permit them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$17,855 for 2013. This plan is administered by the Utah Retirement Systems. Employee contributions to the Section 403(b) plan totaled \$303,610. This plan is administered by National Benefits, a third party administrator.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6. LONG-TERM OBLIGATIONS

The District had the following long-term obligations at June 30, 2013.

The District patrons approved the issuance of up to \$70 million in general obligation bonds in fiscal year 2008. The Board decided to spend the funds for the construction of improvements at the two high schools and the construction of potential elementary schools in areas with significant need. On September 10, 2008, \$25 million of the approved bonds were issued. The District received a bond premium of \$597,277 and paid bond issuance costs of \$266,475, including an underwriter's discount of \$170,000. The bond premium and issuance costs are being amortized over the 20 year life of the bonds. Principal and interest payments began July 15, 2009 and end July 15, 2028. The interest rate on the bonds ranges from 3%-5%. The following is a debt service schedule in five year increments over the life of the bonds.

2008 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2014	\$ 850,000	\$ 802,675	\$ 1,652,675	3.50%
2015	875,000	772,488	1,647,488	3.50%
2016	900,000	739,175	1,639,175	3.50%
2017	950,000	702,175	1,652,175	4.00%
2018	975,000	663,675	1,638,675	4.00%
2019-2023	5,550,000	2,605,096	8,155,096	4.00%-5.00%
2024-2028	6,975,000	1,146,519	8,121,519	4.25%-5.00%
2029	1,575,000	35,438	1,610,438	4.40%-4.50%
	<u>\$ 18,650,000</u>	<u>\$ 7,467,241</u>	<u>\$ 26,117,241</u>	

On July 1, 2009, \$31 million of the approved bonds were issued. The District received a bond premium of \$618,633 and paid bond issuance costs of \$292,077, including an underwriter's discount of \$202,387. The bond premium is being amortized over the 20 year life of the bonds. Principal and interest payments began January 15, 2010 and end January 15, 2029. The interest rate on the bonds ranges from 3%-5%. The following is a debt service schedule in five year increments over the life of the bonds.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6. LONG-TERM OBLIGATIONS (continued)

2009 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2014	\$ 900,000	\$ 884,375	\$ 1,784,375	3.00%
2015	925,000	852,375	1,777,375	3.00%
2016	950,000	814,874	1,764,874	3.00%
2017	1,000,000	795,875	1,795,875	4.00%
2018	1,025,000	735,375	1,760,375	4.00%
2019-2023	5,800,000	3,005,125	8,805,125	4.00%-4.25%
2024-2028	7,175,000	1,604,953	8,779,953	4.00%-4.25%
2029-2030	3,325,000	158,703	3,483,703	4.50%-4.75%
	<u>\$ 21,100,000</u>	<u>\$ 8,851,655</u>	<u>\$ 29,951,655</u>	

On November 23, 2011, \$14 million of the approved bonds were issued. The District received a bond premium of \$1,864,249 and paid bond issuance costs of \$113,462, including an underwriter's discount of \$47,419. The bond premium is being amortized over the 7 year life of the bonds. Principal and interest payments began July 15, 2012 and end July 15, 2018. The interest rate on the bonds ranges from 3%-5%. The following is a debt service schedule in five year increments over the life of the bonds.

2011 General Obligation School Building Bonds:

Years	Principal	Interest	Total	Interest Rate
2014	\$ 2,510,000	\$ 582,450	\$ 3,092,450	3.00%
2015	2,595,000	492,900	3,087,900	4.00%
2016	2,710,000	373,250	3,083,250	5.00%
2017	2,825,000	234,875	3,059,875	5.00%
2018	2,985,000	89,625	3,074,625	5.00%
2019	375,000	7,500	382,500	4.00%
	<u>\$ 14,000,000</u>	<u>\$ 1,780,600</u>	<u>\$ 15,780,600</u>	

The Municipal Building Authority of Box Elder School District (MBA), a blended component unit of Box Elder School District, entered into agreements to issue Qualified School Construction Bonds in the amount of \$3,000,000, for the construction of new school. The bonds were issued on June 2, 2011, and are payable May 15, 2026. The District has entered into a master lease agreement with the MBA, dated June 2, 2011, which requires the District to lease the school facility from the MBA through May 16, 2026. The lease amount is equal to the annual debt service plus \$1 for each fiscal year the lease is in force. The lease provides for a purchase price, which may be exercised by the District anytime during the period of the lease, equivalent to the outstanding principal balance on the lease revenue bonds. The bond interest rate is 4.96% for the length of the bond. However, the annual interest amount of approximately \$148,800 will be subsidized by the U.S. Government resulting in no annual cost to the District. The following is debt service schedule of the bonds.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6. LONG-TERM OBLIGATIONS (continued)

2011 Municipal Building Authority Qualified School Construction Bonds:

Year	Principal	Interest	Subsidized interest	Total	Interest Rate
2014	\$ 214,000	\$ 138,176	\$ (138,176)	\$ 214,000	4.96%
2015	\$ 214,000	\$ 127,571	\$ (127,571)	\$ 214,000	4.96%
2016	\$ 214,000	\$ 116,957	\$ (116,957)	\$ 214,000	4.96%
2017	\$ 214,000	\$ 106,342	\$ (106,342)	\$ 214,000	4.96%
2018	\$ 214,000	\$ 95,728	\$ (95,728)	\$ 214,000	4.96%
2019-2023	\$ 1,071,000	\$ 319,424	\$ (319,424)	\$ 1,071,000	4.96%
2024-2026	\$ 645,000	\$ 63,984	\$ (63,984)	\$ 645,000	4.96%
	<u>\$ 2,786,000</u>	<u>\$ 968,182</u>	<u>\$ (968,182)</u>	<u>\$ 2,786,000</u>	

Effective July 1, 2006, the Board approved a termination benefit plan, which, upon termination, provides for the payout of sick leave benefits and a retirement bonus. During the year ended June 30, 2013, \$1,051,817 was expended on these benefit plans. The plan is financed on a pay-as-you-go basis. The District has a potential for termination benefits for 374 eligible employees. For 2013, the District has recorded a liability of \$6,485,792, which is calculated at the net present value of the estimated liability.

Termination Benefits

Sick Leave Benefit:

Employees are eligible after they have completed 15 years of contracted service with the District – employees receive 2% of their unused, accumulated sick leave for each year of service in the District, plus 1% per year for each year of experience granted by the District upon employment, to a maximum of 60%.

Retirement Bonus:

Employees are eligible after they qualify for School District Retirement, as defined in Policy 3306, 3-3-1 –employees receive a retirement bonus generated at 30% per year of full-time contracted employment in the District, multiplied by the value of the weighted pupil unit for the year of retirement with an amount not to exceed nine times the value of the weighted pupil unit for the year of retirement. For Classified employees who are eligible and less than fulltime employees, the percentages are lower.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6. LONG-TERM OBLIGATIONS (continued)

Compensated Absences

Classified and Administrative employees are eligible for vacation benefits. Classified employees may carry over a maximum of 20 days vacation to the following year but upon termination will only be compensated for up to 10 days at the rate in effect at the time of termination. Administrative employees who are under contract for 229 working days may be compensated for up to 15 days and administrative employees under contract for 243 or more working days may be compensated for up to 20 days.

Capital Lease

The remaining long-term obligation is a capital lease entered into with DeLage Landen Public Finance for the purchase of computer equipment. See note 11 for additional information. Transactions affecting long-term obligations are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
G.O. bonds payable	\$ 58,100,000	\$ -	\$ (4,350,000)	\$53,750,000	\$ 4,260,000
G.O. bond premium	2,606,560	-	(327,117)	2,279,443	-
Capital lease payable	-	286,323	(75,040)	211,283	-
Compensated absences	305,787	355,327	(374,374)	286,740	-
Accrued termination benefits	6,235,592	1,302,017	(1,051,817)	6,485,792	-
Total Governmental Activities	<u>\$ 67,247,939</u>	<u>\$ 1,943,667</u>	<u>\$ (6,178,348)</u>	<u>\$63,013,258</u>	<u>\$ 4,260,000</u>
Business-type activities:					
Bonds payable	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ (214,000)</u>	<u>2,786,000</u>	<u>\$ 214,000</u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended June 30, 2013, the Capital Project Fund had expenditures in excess of total appropriated budget of \$491,335.

No funds had deficit fund balances at June 30, 2013.

NOTE 8. CASH AND INVESTMENTS

The District maintains a Deposit and Investment Pool that is available for use by all funds of the District. Each fund type's portion of this pool is disclosed on the governmental funds balance sheet as "cash and cash equivalents".

The District complies with the Utah Money Management Act (Utah Code Section 51, Chapter 7) and related Rules of the Money management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined in the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market funds and obligations of governmental agencies within the State of Utah. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and sufficient adequate protection of its uninsured bank deposits.

Deposits

At June 30, 2013, the carrying amount of the District deposits was \$1,235,272 and the bank balance was \$4,313,340. Of the bank balance, \$1,082,024 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the District follows these recommendations. The Foundation had deposits of \$126,038 with a bank balance of \$125,658, all of which was insured.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8. CASH AND INVESTMENTS (continued)

Investments

At June 30, 2013, the District's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rated
Corporate Bonds	\$ 7,381,687	less than 1 year	A- to AAA
Commercial paper/repurchase agreements	-	less than 270 days	none
Utah Public Treasurer's Investment Fund	45,877,092	N/A	not rated
Total	<u>\$ 53,258,779</u>		

At June 30, 2013, the Foundation's investment balances were as follows:

Investment Type	Fair Value	Maturity
Certificates of deposit	<u>\$ 323,448</u>	less than 1 year

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments do not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper to 270 days or less and fixed-income securities to 365 days or less. The District has no investment policy that would further limit its interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the Act and other related rules. The Act and other related rules limit investments in commercial paper to a first tier rating of investments in fixed-income to a rating of A or higher as rated by Moody's Investor Service or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices. All of the District's investments in corporate bonds and commercial paper meet this requirement with ratings of, at least, A or P-1. No one investment exceeds 5% of the total investment pool.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8. CASH AND INVESTMENTS (continued)

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. All of the District's investments in corporate bonds and commercial paper are uninsured and uncollateralized and held by the agent in the District's name.

As reported in the financial statements:

Government Wide:	
Cash and cash equivalents	\$ 47,059,907
Investments	7,381,686
Restricted cash and cash equivalents	248
Restricted investments	-
Component Unit:	
Cash and cash equivalents	126,038
Investments	323,448
Fiduciary Funds - cash and cash equivalents	52,210
	<u>\$ 54,943,537</u>

The PTIF is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered and is unrated. Participant accounts with PTIF are not insured or otherwise guaranteed by the State of Utah. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities including certificates of deposit and top rated domestic commercial held by the Utah State Treasurer. The portfolio has a weighted average life of 90 days or less. The fair value of the District's position in the fund is the same as the value of the fund shares.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9. RECONCILIATION OF INTERFUND BALANCES AND TRANSFERS

There were no interfund due to/due from balances during 2013 and no interfund transfers in 2013.

\$933,206 in school funds reported in the Other Governmental Funds column as cash and cash equivalents and as deposits payable in the General Fund, have been eliminated in the reporting of the government wide statements.

NOTE 10. CAPITAL LEASE OBLIGATION

The District entered into a capital lease with Dell Financial Services for the purchase of computer back-up and storage equipment. The economic substance of the lease is that the District is financing the acquisition of the assets through a lease, and accordingly, it is recorded in the District's financial statements.

The following is an analysis of the leased assets included in the property and equipment.

Computer storage and back-up equipment	\$	287,429
Less: accumulated depreciation		<u>(28,742)</u>
	\$	<u>258,687</u>

The lease is secured by the assets. The lease agreement contains a bargain purchase price option at the end of the lease. The following is a schedule by years of the future minimum lease payments required under the lease together with the present value at year end:

2014	\$	75,040
2015		75,040
2016		<u>75,040</u>
Total minimum lease payments		225,120
Less: amount representing interest		<u>(13,837)</u>
Present value of minimum lease payments	\$	<u>211,283</u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11. MEMBERSHIP CHANGES

The District receives funding from the Utah State Office of Education (USOE) based on formulas calculated using the District's membership figures. As District membership increases or decreases, corresponding funding from the USOE has the potential to increase or decrease. The amount of any potential change is not available.

NOTE 12. RISK MANAGEMENT

The District maintains insurance coverage for general liability, automobile, personal injury, errors and omissions, employee dishonest, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund (Fund). The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible, automobile physical damage is insured to actual value with a \$500 deductible, other liability is limited to the lesser of \$10 million or the statutory limit. The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to the Fund. The Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants pay experience related annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

There are several lawsuits pending in which the District is involved. The District's counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the financial statement of the District.

The District maintains workers compensation insurance through the Utah School Boards Risk Management Mutual Insurance Association (Association). Annual premiums are charged to users by the Association to enable the payment of claims and to accumulate reserves for any unforeseen issues. Independent coverage is obtained to insure sufficient reserves and funds are available when needed. This is a pooled arrangement where the participants pay experience rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities. Periodic billing premiums are received to cover any unanticipated changes from the facts and circumstances used to calculate the annual premium.

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13. PRIOR PERIOD ADJUSTMENTS

Implementation of GASB Statement No. 63 and GASB Statement No. 65

During 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the unamortized bond issuance costs for the governmental activities at the government-wide level have been removed from the financial statements and adjusted against beginning net position. The beginning net position was adjusted by \$560,924.

The unamortized bond issue costs for the business-type activities and the MBA Fund have also been removed from the financial statements and the adjustment was against beginning net position. Beginning net position was adjusted by \$51,376.

In addition, there are numerous terminology changes throughout the basic financial statements of this report. These classification changes do not require a prior period adjustment.

The effect of the prior period adjustment is as follows:

2013:	Municipal Business Authority Fund	Government-wide Governmental Activities Statement of Activities	Government-wide Business-type activities Statement of Activities
Net position as previously reported	\$ 344,845	\$ 107,196,475	\$ 344,845
Removal of unamortized bond issuance costs	<u>(51,376)</u>	<u>(560,924)</u>	<u>(51,376)</u>
Beginning net position, as restated	<u>\$ 293,469</u>	<u>106,635,551</u>	<u>293,469</u>

BOX ELDER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 14. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District currently has no items that fall within this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports one of these items. Unearned property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts also are reported on the government-wide statement of net position.

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE-
BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property tax	\$ 6,800,000	\$ 8,025,026	\$ 7,795,213	\$ (229,813)
Earnings on investments	20,000	49,474	30,710	(18,764)
Other	215,000	-	-	-
Total revenues	7,035,000	8,074,500	7,825,923	(248,577)
Expenditures:				
Debt service:				
Principal retirement	4,400,000	4,381,011	4,350,000	31,011
Interest and fiscal charges	2,200,000	2,611,677	2,492,408	119,269
Other	415,000	22,312	6,000	16,312
Total expenditures	7,015,000	7,015,000	6,848,408	166,592
Excess (deficiency) of revenues over (under) expenditures	20,000	1,059,500	977,515	(81,985)
Other financing sources (uses):				
Proceeds from sale of general obligation bonds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	20,000	1,059,500	977,515	(81,985)
Fund balance - beginning	7,109,943	7,109,943	7,109,943	-
Fund balance - ending	\$ 7,129,943	\$ 8,169,443	\$ 8,087,458	\$ (81,985)

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Property taxes	\$ 8,100,000	\$ 10,619,936	\$ 9,545,081	\$ (1,074,855)
Charges for services	85,000	89,715	92,520	2,805
Contributions	-	256,326	-	(256,326)
Earnings on investments	90,000	149,591	170,503	20,912
Total local sources	8,275,000	11,115,568	9,808,104	(1,307,464)
State sources:				
Restricted grants in aid	100,000	113,464	13,464	(100,000)
Total state sources	100,000	113,464	13,464	(100,000)
Federal sources:				
Restricted grants in aid	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	8,375,000	11,229,032	9,821,568	(1,407,464)
Expenditures:				
Support services:				
Operation and maintenance of facilities	-	-	-	-
Student transportation	-	-	-	-
Facilities acquisition/construction	12,015,000	8,191,751	8,683,086	(491,335)
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Other	-	-	-	-
Total expenditures	12,015,000	8,191,751	8,683,086	(491,335)
Excess (deficiency) of revenues over (under) expenditures	(3,640,000)	3,037,281	1,138,482	(1,898,799)
Other Financing Sources (Uses):				
Proceeds from issuance of general obligation bonds				-
Proceeds from bond premium	-	-	-	-
Bond issuance costs	-	-	-	-
Sale of fixed assets	25,000	296,713	300,649	3,936
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total other financing sources (uses)	25,000	296,713	300,649	3,936
Net change in fund balances	(3,615,000)	3,333,994	1,439,131	(1,894,863)
Fund balance - beginning	26,478,651	26,478,651	26,478,651	-
Fund balance - ending	\$22,863,651	\$ 29,812,645	\$ 27,917,782	\$ (1,894,863)

BOX ELDER SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activities Fund	Non K-12 Fund	School Food Service Fund	
Assets:				
Cash and cash equivalents	\$ 1,693,756	\$ 204,260	\$ 423,955	\$ 2,321,971
Receivables:				
Accounts	-	6,109	6,179	12,288
Intergovernmental	-	53,334	354,127	407,461
Inventory	-	-	129,466	129,466
Total assets	<u>\$ 1,693,756</u>	<u>\$ 263,703</u>	<u>\$ 913,727</u>	<u>\$ 2,871,186</u>
Liabilities:				
Accounts payable	\$ 19,133	\$ 3,040	\$ 18,927	\$ 41,100
Due to clubs	1,152,926	-	-	1,152,926
Accrued salaries and benefits	-	72,193	75,510	147,703
Unearned revenue	-	-	-	-
Total liabilities	<u>1,172,059</u>	<u>75,233</u>	<u>94,437</u>	<u>1,341,729</u>
Fund balances:				
Non-spendable:				
Inventory	-		129,466	129,466
Restricted:				
State programs	-		-	-
Assigned:				
Non K-12 programs	-	188,470	-	188,470
Student Activities	521,697	-	-	521,697
School Food Service	-	-	689,824	689,824
Total fund balances	<u>521,697</u>	<u>188,470</u>	<u>819,290</u>	<u>1,529,457</u>
Total liabilities and fund balances	<u>\$ 1,693,756</u>	<u>\$ 263,703</u>	<u>\$ 913,727</u>	<u>\$ 2,871,186</u>

BOX ELDER SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Student Activities Fund	Non K-12 Fund	School Food Service Fund	
Revenues:				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	2,332,162	163,597	1,201,570	3,697,329
Contributions	836,633	-	-	836,633
Earnings on investments	12,518	-	2,688	15,206
State aid	-	999,784	744,437	1,744,221
Federal aid	-	198,693	2,385,967	2,584,660
Total revenues	<u>3,181,313</u>	<u>1,362,074</u>	<u>4,334,662</u>	<u>8,878,049</u>
Expenditures:				
Student activities	3,193,005	-	-	3,193,005
Non-instructional services	-	1,817,562	-	1,817,562
School food services	-	-	4,344,107	4,344,107
Total expenditures	<u>3,193,005</u>	<u>1,817,562</u>	<u>4,344,107</u>	<u>9,354,674</u>
Excess of revenues over expenditures	<u>(11,692)</u>	<u>(455,488)</u>	<u>(9,445)</u>	<u>(476,625)</u>
Other financing sources:				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(11,692)</u>	<u>(455,488)</u>	<u>(9,445)</u>	<u>(476,625)</u>
Fund balances - beginning	<u>533,389</u>	<u>643,958</u>	<u>828,735</u>	<u>2,006,082</u>
Fund balances - ending	<u>\$ 521,697</u>	<u>\$ 188,470</u>	<u>\$ 819,290</u>	<u>\$ 1,529,457</u>

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SCHOOL ACTIVITIES FUND
NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Charges for services	\$ 3,540,000	\$ 2,110,000	\$ 2,332,162	\$ 222,162
Contributions/grants	350,000	325,000	836,633	511,633
Earnings on investments	-	12,200	12,518	318
Total local sources	3,890,000	2,447,200	3,181,313	734,113
State sources:				
Teacher materials & supplies	100,000	1,071,254	-	(1,071,254)
Other state revenue	10,000	-	-	-
Total state sources	110,000	1,071,254	-	(1,071,254)
Total revenues	4,000,000	3,518,454	3,181,313	(337,141)
Expenditures:				
Student activities	4,000,000	3,405,500	3,193,005	212,495
Total expenditures	4,000,000	3,405,500	3,193,005	212,495
Excess (deficiency) of revenues over (under) expenditures	-	112,954	(11,692)	(549,636)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	-	112,954	(11,692)	(549,636)
Fund balances - beginning	533,389	533,389	533,389	-
Fund balances - ending	\$ 533,389	\$ 646,343	\$ 521,697	\$ (549,636)

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
NON K-12 FUND
MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Local sources:				
Property taxes and fee in lieu	\$ -	\$ -	\$ -	\$ -
Charges for services	685,000	528,530	163,597	(364,933)
Earnings on investments	1,000	-	-	-
Total local sources	686,000	528,530	163,597	(364,933)
State sources:				
Adult education	213,061	196,750	162,424	(34,326)
Special education preschool	736,939	736,939	736,939	-
Special education-severally disabled	-	20,456	20,456	-
Drivers education	132,400	101,745	79,965	(21,780)
Other state revenue	-	-	-	-
Total State Sources	1,082,400	1,055,890	999,784	(56,106)
Federal sources:				
Pre-school incentive	120,878	120,878	120,034	(844)
Migrant program	128,289	128,289	78,659	(49,630)
Adult education	20,833	20,833	-	(20,833)
Other federal revenue	-	-	-	-
Total federal sources	270,000	270,000	198,693	(71,307)
Total revenues	2,038,400	1,854,420	1,362,074	(492,346)
Expenditures:				
Non-instructional services	2,038,400	1,883,739	1,817,562	66,177
Community services	-	-	-	-
Total expenditures	2,038,400	1,883,739	1,817,562	66,177
Excess (deficiency) of revenues over (under) expenditures	-	(29,319)	(455,488)	(426,169)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	-	(29,319)	(455,488)	(426,169)
Fund balances - beginning	643,958	643,958	643,958	-
Fund balances - ending	\$ 643,958	\$ 614,639	\$ 188,470	\$ (426,169)

BOX ELDER SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SCHOOL FOOD SERVICES
NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Local sources:				
Lunch sales	\$ 1,285,600	\$ 1,254,782	\$ 1,201,570	\$ (53,212)
Earnings on investments	400	2,043	2,688	645
Other Income	20,500		-	-
Total local sources	1,306,500	1,256,825	1,204,258	(52,567)
State sources:				
State lunch program	645,000	705,000	744,437	39,437
Total state sources	645,000	705,000	744,437	39,437
Federal sources:				
School lunch reimbursement	350,000	572,017	370,703	(201,314)
School lunch free and reduced reimbursement	1,600,000	1,551,409	1,565,617	14,208
School breakfast	325,000	391,032	406,221	15,189
Fresh fruit and vegetables	-	16,264	20,369	
Other child nutrition:				
Child and adult	-	-	-	-
Other	25,000	24,278	23,057	(1,221)
Total federal sources	2,300,000	2,555,000	2,385,967	(173,138)
Total revenues	4,251,500	4,516,825	4,334,662	(186,268)
Expenditures:				
School food services:				
Salaries	1,625,000	1,420,872	1,387,401	33,471
Employee benefits	605,000	478,279	477,838	441
Purchased services	47,000	17,451	63,928	(46,477)
Supplies and materials	2,156,000	2,097,453	2,098,476	(1,023)
Equipment	25,000	50,000	16,464	33,536
Other objects	70,000	497,000	300,000	197,000
Total expenditures	4,528,000	4,561,055	4,344,107	216,948
Excess (deficiency) of revenues over (under) expenditures	(276,500)	(44,230)	(9,445)	30,680
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(276,500)	(44,230)	(9,445)	30,680
Fund balances - beginning	828,735	828,735	828,735	-
Fund balances - ending	\$ 552,235	\$ 784,505	\$ 819,290	\$ 30,680

Reports and Schedules
Required by
OMB Circular A-133

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To the Board of Education
Box Elder School District
Brigham City, UT 84302

Report on Compliance for Each Major Federal Program

We have audited Box Elder School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Box Elder School District's major federal programs for the year ended June 30, 2013. Box Elder School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Box Elder School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Box Elder School district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Box Elder School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Box Elder School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

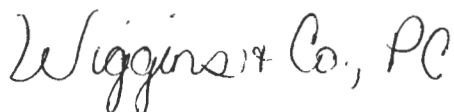
Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Wiggins & Co., PC".

Brigham City, Utah
October 26, 2013

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass - Thru Grantor/ Program Title	Federal CFDA Number	Pass-Thru Grantor's Number	Expenditures
U.S. Department of Agriculture			
<u>Passed through Utah State Office of Education:</u>			
National School Lunch Program Cluster:			
School Breakfast Program	10.553	44	\$ 406,221 X
National School Lunch Program	10.555	42/43	1,936,320 X
Food Distribution-Commodities	10.555	NA	332,483 X
Total National School Lunch Program Cluster			<u>2,675,024</u>
Fresh Fruits and Vegetables	10.552	NA	20,369
<u>Passed through Box Elder County:</u>			
Secure Payments for States and Counties Containing Federal Lands	10.665	N/A	54,431
Total U.S. Department of Agriculture			<u>2,749,824</u>
U.S. Department of Education			
<u>Passed through Utah State Office of Education:</u>			
<u>Special Education Cluster:</u>			
IDEA Disabilities Act-Special Education	84.027	19	2,163,918
IDEA Special Education-Preschool Grants	84.173	52	120,034
Total Special Education Cluster			<u>2,283,952</u>
Title I Grant to Local Education Agencies	84.010	8	1,039,219 X
Migrant Education-State Grant Program	84.011	15	78,659
Career and Technical Education-Basic Grants to States	84.048	20/21	98,450
English Language Acquisition Grants	84.365	73	38,994
Improving Teacher Quality State Grants	84.367	74	256,753
Total U.S. Department of Education			<u>3,796,027</u>
Corporation for National and Community Service			
<u>Passed through Ogden City School District:</u>			
Utah Americorp Literacy Initiative	94.006	N/A	45,129
Total Corporation for National and Community Service			<u>45,129</u>
Total Expenditures of Federal Awards			<u>\$ 6,590,980</u>

The accompanying notes are an integral part of this schedule.

BOX ELDER SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1. PURPOSE OF SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards is a supplementary schedule to the District's financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the District, it is not intended to, and does not, present either the financial position, changes in fund balances or other current funds revenue, expenditures and other changes of the District. The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Box Elder School District (District). All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included in the schedule. Of the federal awards presented in the Schedule, the District provided no federal awards to subrecipients.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the schedule is presented in accordance with OMB Circular A-133.

Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, would be included in federal awards, if applicable, and therefore, would be reported on the schedule. Federal awards do not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal award programs. Type A programs, for the District, are those programs, which exceed \$300,000 in federal expenditures, distributions, or issuances for the year ended June 30, 2013.

BOX ELDER SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity

The reporting entity is fully described in Note 1 of the District's financial statements. The schedule includes all federal award programs administered by the District for the year ended June 30, 2013.

Basis of Accounting

The expenditures in the schedule are recognized as incurred based on the modified accrual basis of accounting, which is the same basis of accounting used by the District's governmental funds as described in Note 1 to the District's basic financial statements, and the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*. Under these cost principles certain types of expenditures are not allowable or are limited as to reimbursement.

The schedule does not include matching expenditures.

Some of the District's federal awards are received directly from the granting federal agency (i.e., the District is the primary recipient). However, the majority of federal awards, as identified on the schedule, are passed through a separate entity prior to receipt by the District (i.e., the District is a sub-recipient).

BOX ELDER SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3. RECONCILIATION OF AMOUNTS REPORTED ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE DISTRICT'S FINANCIAL REPORT

The following is a reconciliation of the amounts reported in the Schedule of Expenditures of Federal Awards with the amounts reported in the District's fund financial statements.

Federal funds reported in the General Fund	\$ 4,180,616
Federal funds reported in the Non K-12 Fund	198,693
Federal funds reported in the School Lunch Fund	<u>2,385,967</u>
	6,765,276
Plus:	
Amount recorded on Schedule for Food Distribution not recorded on the fund financial statements.	332,483
Amount of Medicaid funds recorded as federal in General Fund statements but are charges for services	(483,722)
Amount received from Internal Revenue Service for revenue and expense of interest on Qualified School Construction Build America Bonds of \$148,800.	-
Amount recorded in School Food Service Fund as federal revenue but is reimbursement for food services.	<u>(23,057)</u>
Expenditures of Federal Awards	<u><u>\$ 6,590,980</u></u>

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

____yes X no

Significant deficiency(ies) identified not
considered to be a material weakness?

____yes X none reported

Noncompliance material to financial statements

____yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

____yes X no

Significant deficiency(ies) identified not
considered to be a material weakness?

____yes X none reported

Type of Auditor's report on compliance for major
programs:

Unmodified

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

____yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.555

National School Lunch Cluster:

10.553

Food Distribution

10.555

School Breakfast Program

84.010

National School Lunch

Title I Grants to Local Education Agencies

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

\$300,000

Auditee qualified as low-risk auditee?

X yes ____no

BOX ELDER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section II – Financial Statement findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

There were no significant deficiencies and no material weaknesses noted during our audit, which are required to be reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit that are required to be reported in accordance with OMB A-133. Accordingly, no such matters are reported.