

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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Bondurant-Farrar Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Jan Hall	President	2004
Warren Nielsen	Vice President	2005
Deborah Davis	Board Member	2003
Mike Adams	Board Member	2004
Bill Elson	Board Member	2005
Board of Education (After September 2003 Election)		
Warren Nielsen	President	2005
Mike Adams	Vice President	2004
Jan Hall	Board Member	2004
Bill Elson	Board Member	2005
Allison Bishop	Board Member	2006
School Officials		
Craig S. Cochran	Superintendent	2004
Gail Helm	District Secretary/ Treasurer	2004
Sue Seitz	Attorney	2004

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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Bondurant-Farrar Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2004, on our consideration of the Bondurant-Farrar Community School District's internal control over financial reporting and our tests of its compliance with certain

provisions of laws, regulations, contracts and grants. 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. Another firm previously audited the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and issued a qualified opinion on the report dated June 30, 2002 due to the omission of the general fixed asset account group, and issued an unqualified opinion on the reports dated June 30, 2001 and June 30, 2003. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

September 16, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,110,206 in fiscal 2003 to \$6,257,317 in fiscal 2004, while General Fund expenditures also increased from \$6,373,469 in fiscal 2003 to \$6,725,758 in fiscal 2004. This resulted in a decrease in the District's fund balance from \$630,208 in fiscal 2003 to \$161,867 in fiscal 2004, which was a 74% decrease from the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bondurant-Farrar Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

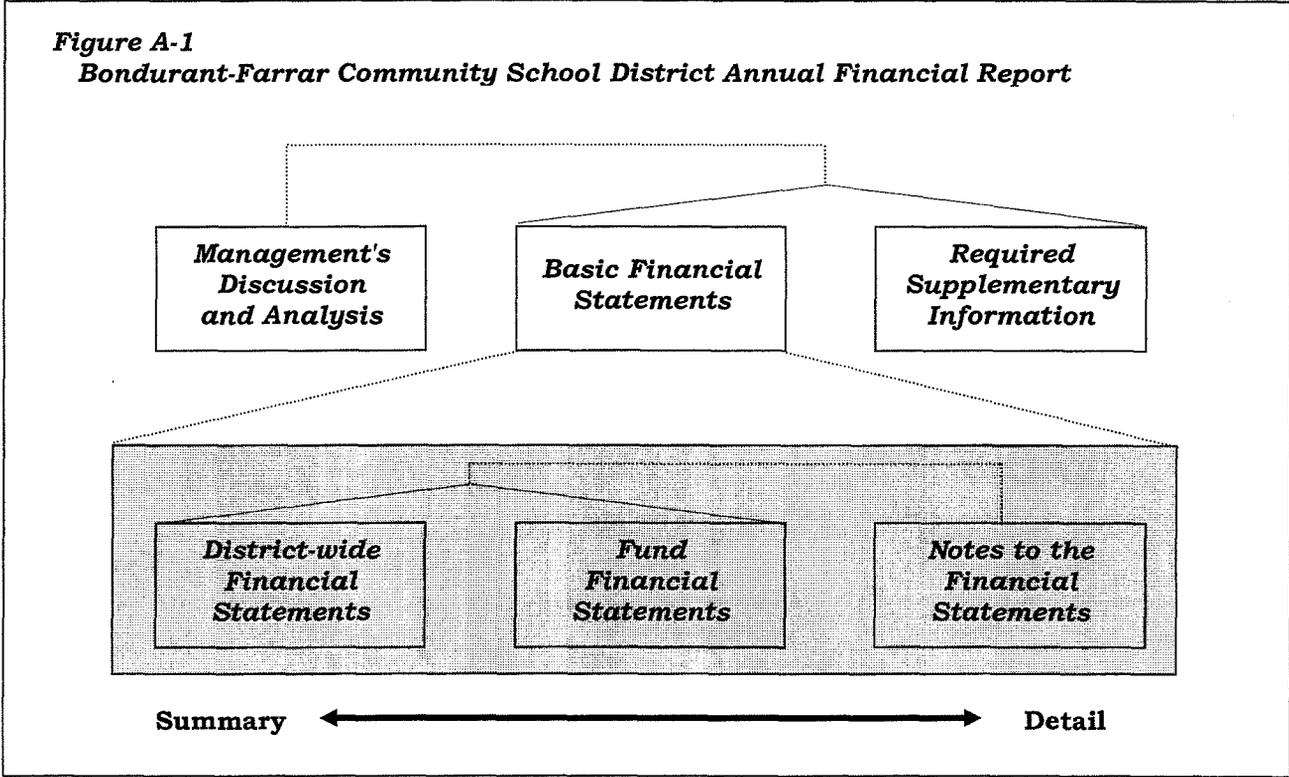


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Service for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund,

are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 5,852,260	243,122	6,095,382
Capital assets	9,050,156	148,655	9,198,811
Total assets	<u>14,902,416</u>	<u>391,777</u>	<u>15,294,193</u>
Long-term obligations	4,508,166	0	4,508,166
Other liabilities	4,380,594	31,018	4,411,612
Total liabilities	<u>8,888,760</u>	<u>31,018</u>	<u>8,919,778</u>
Net assets:			
Invested in capital assets, net of related debt	5,806,704	148,655	5,955,359
Restricted	196,042	0	196,042
Unrestricted	10,910	212,104	223,014
Total net assets	<u>\$ 6,013,656</u>	<u>360,759</u>	<u>6,374,415</u>

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 866,974	382,081	1,249,055
Operating grants and contributions and restricted interest	579,795	111,057	690,852
General revenues:			
Property tax	2,362,766	0	2,362,766
Local option sales and service tax	885,417	0	885,417
Unrestricted state grants	3,301,011	0	3,301,011
Unrestricted investment earnings	10,915	1,506	12,421
Other	100	0	100
Total revenues	8,006,978	494,644	8,501,622
Program expenses:			
Governmental activities:			
Instructional	4,440,904	0	4,440,904
Support services	2,492,265	0	2,492,265
Non-instructional programs	0	491,850	491,850
Other expenses	727,251	0	727,251
Total expenses	7,660,420	491,850	8,152,270
Change in net assets	\$ 346,558	2,794	349,352

Property tax and unrestricted state grants account for 67% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$8,006,978 and expenses were \$7,660,420.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,440,904	3,253,541
Support services	2,492,265	2,489,694
Other expenses	727,251	470,416
Totals	\$ 7,660,420	6,213,651

- The cost of all governmental activities this year was \$7,660,420
- A portion of the cost financed by users of the District's programs was \$866,974
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$579,795

Business-Type Activities

Revenues for business type activities were \$494,644 and expenses were \$491,850. The District's business type activities include the School Nutrition Fund and the Construction Class Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,402,875, a decrease of 9% below last years ending fund balances of \$1,541,203.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase in revenues was more than offset by an increase in expenditures, resulting in the General Fund balance to decrease.
- The General Fund balance decreased from \$630,208 to \$161,867, due in part to the prior year reduction in state aid.
- The Capital Projects Fund balance decreased from \$509,911 at June 30, 2003 to \$493,023 at June 30, 2004, representing a decrease of 3%.
- The Debt Service Fund balance increased from \$339,115 at June 30, 2003 to \$620,404 at June 30, 2004, representing an increase of 83%.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$287,086 at June 30, 2003 to \$283,651 at June 30, 2004, representing a decrease of approximately 1%.

The Construction Class Fund net assets increased from \$70,879 at June 30, 2003 to \$77,108 at June 30, 2004, representing an increase of 9%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$224,869 more than budgeted receipts, a variance of 2.54%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$9,198,811, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for year was \$388,807.

The original cost of the District's capital assets was \$14,509,205. Governmental funds account for \$14,236,756, with the remainder of \$272,449 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Buildings	8,449,555	0	8,449,555
Land and land improvements	226,890	0	226,890
Machinery and equipment	373,711	148,655	522,366
Total	\$ 9,050,156	148,655	9,198,811

Long-Term Debt

At June 30, 2004, the District had \$4,508,166 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 965,000	1,200,000	-19.6%
Revenue Bonds	3,300,000	3,755,000	-12.1%
Capital Loan Notes	70,000	135,000	-48.1%
Early Retirement	139,317	98,000	42.2%
Compensated Absences	33,849	34,464	-1.8%
Totals	\$ 4,508,166	5,222,464	-13.7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The rising cost of gas, diesel, and natural gas continue to be a concern for the District.
- The increase in the cost of salaries, benefits, health costs, and IPERS continue to be a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Helm, Business Manager, Bondurant-Farrar Community School District, 300 Garfield St. S. W., Bondurant, Iowa, 50035.

BASIC FINANCIAL STATEMENTS

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 1,573,639	0	1,573,639
Other	1,843,480	233,535	2,077,015
Receivables			
Property tax:			
Delinquent	42,410	0	42,410
Succeeding year	1,998,403	0	1,998,403
Income surtax	87,069	0	87,069
Interfund	158,172	0	158,172
Accounts	1,000	0	1,000
Accrued ISCAP interest	3,577	0	3,577
Due from other governments	144,510	0	144,510
Inventories	0	9,587	9,587
Capital assets, net of accumulated depreciation (Note 6)	9,050,156	148,655	9,198,811
TOTAL ASSETS	14,902,416	391,777	15,294,193
LIABILITIES			
Excess of warrants issued over bank balance	10,420	0	10,420
Accounts payable	38,325	4,254	42,579
Salaries and benefits payable	589,006	7,296	596,302
Interfund payable	140,592	17,580	158,172
ISCAP warrants payable	1,577,000	0	1,577,000
ISCAP accrued interest payable	5,423	0	5,423
ISCAP unamortized premium	3,147	0	3,147
Accrued interest payable	18,278	0	18,278
Deferred revenue:			
Succeeding year property tax	1,998,403	0	1,998,403
Other	0	1,888	1,888
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	250,000	0	250,000
Revenue bonds	480,000	0	480,000
Capital loan notes	70,000	0	70,000
Early retirement	23,386	0	23,386
Compensated absences	33,849	0	33,849
Portion due after one year:			
General obligation bonds payable	715,000	0	715,000
Revenue bonds	2,820,000	0	2,820,000
Early retirement	115,931	0	115,931
TOTAL LIABILITIES	8,888,760	31,018	8,919,778
NET ASSETS			
Investment in capital assets, net of related debt	5,806,704	148,655	5,955,359
Restricted for:			
Teacher Compensation	7,787	0	7,787
Talented and Gifted	42,077	0	42,077
Early Intervention	36,242	0	36,242
Other special revenue purposes	109,936	0	109,936
Unrestricted	10,910	212,104	223,014
TOTAL NET ASSETS	\$ 6,013,656	360,759	6,374,415

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,045,520	741,815	320,949
Special instruction	753,371	124,599	0
Other instruction	642,013	0	0
	<u>4,440,904</u>	<u>866,414</u>	<u>320,949</u>
Support services:			
Student services	247,041	0	0
Instructional staff services	175,735	0	0
Administration services	798,685	0	0
Operation and maintenance of plant services	870,111	0	0
Transportation services	259,278	560	2,011
Central services	141,415	0	0
	<u>2,492,265</u>	<u>560</u>	<u>2,011</u>
Other expenditures:			
Facilities acquisitions	3,090	0	0
Long-term debt interest	223,613	0	0
AEA flowthrough	256,835	0	256,835
Depreciation(unallocated)*	243,713	0	0
	<u>727,251</u>	<u>0</u>	<u>256,835</u>
Total governmental activities	7,660,420	866,974	579,795
Business-Type activities:			
Non-instructional programs:			
Nutrition services	316,773	200,775	111,057
Construction Class	175,077	181,306	0
Total business-type activities	<u>491,850</u>	<u>382,081</u>	<u>111,057</u>
Total	<u>\$ 8,152,270</u>	<u>1,249,055</u>	<u>690,852</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Local option sales and services
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 11)

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,982,756)	0	(1,982,756)
(628,772)	0	(628,772)
(642,013)	0	(642,013)
<u>(3,253,541)</u>	<u>0</u>	<u>(3,253,541)</u>
(247,041)	0	(247,041)
(175,735)	0	(175,735)
(798,685)	0	(798,685)
(870,111)	0	(870,111)
(256,707)	0	(256,707)
(141,415)	0	(141,415)
<u>(2,489,694)</u>	<u>0</u>	<u>(2,489,694)</u>
(3,090)	0	(3,090)
(223,613)	0	(223,613)
0	0	0
(243,713)	0	(243,713)
<u>(470,416)</u>	<u>0</u>	<u>(470,416)</u>
(6,213,651)	0	(6,213,651)
0	(4,941)	(4,941)
0	6,229	6,229
0	1,288	1,288
<u>(6,213,651)</u>	<u>1,288</u>	<u>(6,212,363)</u>
\$ 1,936,942	0	1,936,942
271,230	0	271,230
154,594	0	154,594
885,417	0	885,417
3,301,011	0	3,301,011
10,915	1,506	12,421
100	0	100
<u>6,560,209</u>	<u>1,506</u>	<u>6,561,715</u>
346,558	2,794	349,352
<u>5,667,098</u>	<u>357,965</u>	<u>6,025,063</u>
<u>\$ 6,013,656</u>	<u>360,759</u>	<u>6,374,415</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP	\$ 1,573,639	0	0	0	1,573,639
Other	592,396	495,171	615,236	140,677	1,843,480
Receivables:					
Property tax:					
Delinquent	32,326	0	5,168	4,916	42,410
Succeeding year	1,744,956	0	0	253,447	1,998,403
Income surtax	87,069	0	0	0	87,069
Interfund	158,172	0	0	0	158,172
Accounts	1,000	0	0	0	1,000
Accrued ISCAP interest	3,577	0	0	0	3,577
Due from other governments	6,066	138,444	0	0	144,510
TOTAL ASSETS	\$ 4,199,201	633,615	620,404	399,040	5,852,260
LIABILITIES AND FUND BALANCES					
Liabilities:					
Excess of warrants issued over bank balance	\$ 0	0	0	10,420	10,420
Accounts payable	30,733	0	0	7,592	38,325
Salaries and benefits payable	589,006	0	0	0	589,006
Interfund payable	0	140,592	0	0	140,592
ISCAP warrants payable	1,577,000	0	0	0	1,577,000
ISCAP accrued interest payable	5,423	0	0	0	5,423
ISCAP unamortized premium	3,147	0	0	0	3,147
Deferred revenue:					
Succeeding year property tax	1,744,956	0	0	253,447	1,998,403
Income surtax	87,069	0	0	0	87,069
Total liabilities	4,037,334	140,592	0	271,459	4,449,385
Fund balances:					
Reserved for:					
Teacher Compensation	7,787	0	0	0	7,787
Talented and Gifted	42,077	0	0	0	42,077
Early Intervention	36,242	0	0	0	36,242
Unreserved:					
Undesignated	75,761	493,023	620,404	127,581	1,316,769
Total fund balances	161,867	493,023	620,404	127,581	1,402,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,199,201	633,615	620,404	399,040	5,852,260

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 16)	\$	1,402,875
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		9,050,156
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(18,278)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		87,069
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(4,508,166)</u>
Net assets of governmental activites (page 13)	\$	<u><u>6,013,656</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,749,078	885,417	271,230	255,389	3,161,114
Tuition	536,214	0	0	0	536,214
Other	91,501	11	15,194	234,969	341,675
State sources	3,808,026	0	145	137	3,808,308
Federal sources	72,498	0	0	0	72,498
Total revenues	<u>6,257,317</u>	<u>885,428</u>	<u>286,569</u>	<u>490,495</u>	<u>7,919,809</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,989,410	0	0	37,026	3,026,436
Special instruction	777,373	0	0	0	777,373
Other instruction	420,634	0	0	224,243	644,877
	<u>4,187,417</u>	<u>0</u>	<u>0</u>	<u>261,269</u>	<u>4,448,686</u>
Support services:					
Student services	247,041	0	0	0	247,041
Instructional staff services	175,735	0	0	0	175,735
Administration services	736,568	0	0	0	736,568
Operation and maintenance of plant services	762,275	0	0	91,799	854,074
Transportation services	218,472	0	0	0	218,472
Central services	141,415	0	0	0	141,415
	<u>2,281,506</u>	<u>0</u>	<u>0</u>	<u>91,799</u>	<u>2,373,305</u>
Other expenditures:					
Facilities acquisitions	0	3,090	0	0	3,090
Long-term debt:					
Principal	0	0	755,000	0	755,000
Interest and fiscal charges	0	0	221,321	0	221,321
AEA flowthrough	256,835	0	0	0	256,835
	<u>256,835</u>	<u>3,090</u>	<u>976,321</u>	<u>0</u>	<u>1,236,246</u>
Total expenditures	<u>6,725,758</u>	<u>3,090</u>	<u>976,321</u>	<u>353,068</u>	<u>8,058,237</u>
Excess(deficiency) of revenues over(under) expenditures	(468,441)	882,338	(689,752)	137,427	(138,428)
Other financing sources (uses):					
Sale of equipment	100	0	0	0	100
Transfers in	0	0	971,041	0	971,041
Transfers out	0	(899,226)	0	(71,815)	(971,041)
Total other financing sources (uses)	<u>100</u>	<u>(899,226)</u>	<u>971,041</u>	<u>(71,815)</u>	<u>100</u>
Net change in fund balances	(468,341)	(16,888)	281,289	65,612	(138,328)
Fund balance beginning of year	630,208	509,911	339,115	61,969	1,541,203
Fund balance end of year	<u>\$ 161,867</u>	<u>493,023</u>	<u>620,404</u>	<u>127,581</u>	<u>1,402,875</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 18) \$ (138,328)

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

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

Capital outlays	\$ 64,379	
Depreciation expense	<u>(378,568)</u>	(314,189)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	755,000
--------	---------

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

(2,292)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

87,069

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

Early retirement	(41,317)	
Compensated absences	<u>615</u>	<u>(40,702)</u>

Changes in net assets of governmental activities (page 15) \$ 346,558

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Construction Class	Total
ASSETS			
Cash and pooled investments	\$ 152,173	81,362	233,535
Inventories	9,587	0	9,587
Capital assets, net of accumulated depreciation	148,655	0	148,655
Total assets	<u>310,415</u>	<u>81,362</u>	<u>391,777</u>
LIABILITIES			
Interfund payable	17,580	0	17,580
Accounts payable	0	4,254	4,254
Salaries and benefits payable	7,296	0	7,296
Deferred Revenue	1,888	0	1,888
Total liabilities	<u>26,764</u>	<u>4,254</u>	<u>31,018</u>
NET ASSETS			
Invested in capital assets, net of related debt	148,655	0	148,655
Unrestricted	134,996	77,108	212,104
Total net assets	<u>\$ 283,651</u>	<u>77,108</u>	<u>360,759</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Construction Class	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 200,775	181,306	382,081
TOTAL OPERATING REVENUES	<u>200,775</u>	<u>181,306</u>	<u>382,081</u>
OPERATING EXPENSES:			
Salaries	110,286	0	110,286
Benefits	21,722	0	21,722
Services	11,014	0	11,014
Supplies	163,512	175,077	338,589
Depreciation	10,239	0	10,239
TOTAL OPERATING EXPENSES	<u>316,773</u>	<u>175,077</u>	<u>491,850</u>
OPERATING GAIN (LOSS)	<u>(115,998)</u>	<u>6,229</u>	<u>(109,769)</u>
NON-OPERATING REVENUES:			
State sources	5,239	0	5,239
Federal sources	105,818	0	105,818
Interest on investments	1,506	0	1,506
TOTAL NON-OPERATING REVENUES	<u>112,563</u>	<u>0</u>	<u>112,563</u>
Change in net assets	(3,435)	6,229	2,794
Net assets beginning of year	<u>287,086</u>	<u>70,879</u>	<u>357,965</u>
Net assets end of year	<u>\$ 283,651</u>	<u>77,108</u>	<u>360,759</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition	Construction Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 202,663	0	202,663
Cash received from miscellaneous operating activities	0	181,306	181,306
Cash payments to employees for services	(132,580)	0	(132,580)
Cash payments to suppliers for goods or services	(150,071)	(170,823)	(320,894)
Net cash used in operating activities	(79,988)	10,483	(69,505)
Cash flows from non-capital financing activities:			
State grants received	5,239	0	5,239
Federal grants received	83,147	0	83,147
Net cash provided by non-capital financing activities	88,386	0	88,386
Cash flows from investing activities:			
Interest on investments	1,506	0	1,506
Borrowings from General Fund	17,580	0	17,580
Net cash provided by investing activities	19,086	0	19,086
Net increase in cash and cash equivalents	27,484	10,483	37,967
Cash and cash equivalents at beginning of year	124,689	70,879	195,568
Cash and cash equivalents at end of year	\$ 152,173	81,362	233,535
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (115,998)	6,229	(109,769)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	22,671	0	22,671
Depreciation	10,239	0	10,239
Decrease in inventories	1,784	0	1,784
Increase in accounts payable	0	4,254	4,254
Decrease in salaries and benefits payable	(572)	0	(572)
Increase in deferred revenue	1,888	0	1,888
Net cash used in operating activities	\$ (79,988)	10,483	(69,505)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 152,173	81,362	233,535
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2004, the District received Federal commodities valued at \$22,671.			

SEE NOTES TO FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Bondurant and Farrar, Iowa, and the predominate agricultural territory in Polk and Jasper Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Bondurant-Farrar Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bondurant-Farrar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk and Jasper Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported

using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable

governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements. The compensated absences liability has been computed based on

rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$11,441 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 140,592
General	Nutrition	17,580
Total		<u>\$ 158,172</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	899,226
Debt Service	PPEL	71,815
Total		<u>\$ 971,041</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 657,447	3,577	653,000	5,423
2004-05A	6/30/04	6/30/05	916,192	0	924,000	0
Total			<u>\$ 1,573,639</u>	<u>3,577</u>	<u>1,577,000</u>	<u>5,423</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity in ISCAP for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Buildings	11,395,998	0	0	11,395,998
Land and land improvements	634,717	0	0	634,717
Machinery and equipment	2,141,662	64,379	0	2,206,041
Total capital assets being depreciated	<u>14,172,377</u>	<u>64,379</u>	<u>0</u>	<u>14,236,756</u>
Less accumulated depreciation for:				
Buildings	2,725,054	221,389	0	2,946,443
Improvements other than buildings	385,503	22,324	0	407,827
Machinery and equipment	1,697,475	134,855	0	1,832,330
Total accumulated depreciation	<u>4,808,032</u>	<u>378,568</u>	<u>0</u>	<u>5,186,600</u>
Total capital assets being depreciated, net	<u>9,364,345</u>	<u>(314,189)</u>	<u>0</u>	<u>9,050,156</u>
Governmental activities capital assets, net	<u>\$ 9,364,345</u>	<u>(314,189)</u>	<u>0</u>	<u>9,050,156</u>
Business-type activities:				
Machinery and equipment	\$ 272,449	0	0	272,449
Less accumulated depreciation	113,555	10,239	0	123,794
Business-type activities capital assets, net	<u>\$ 158,894</u>	<u>(10,239)</u>	<u>0</u>	<u>148,655</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 50,670
Special		4,413
Other		8,024
Support services:		
Administration		14,905
Operation and maintenance of plant		16,037
Transportation		40,806
		<u>134,855</u>
Unallocated depreciation		<u>243,713</u>
Total governmental activities depreciation expense		<u>\$ 378,568</u>
Business-type activities:		
Food services		\$ 10,239
Total business-type activities depreciation expense		<u>\$ 10,239</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	1,200,000	0	235,000	965,000	250,000
Revenue Bonds	3,755,000	0	455,000	3,300,000	480,000
Capital Loan Notes	135,000	0	65,000	70,000	70,000
Early Retirement	98,000	65,555	24,238	139,317	23,386
Compensated absences	34,464	20,247	20,862	33,849	33,849
	<u>\$ 5,222,464</u>	<u>85,802</u>	<u>800,100</u>	<u>4,508,166</u>	<u>857,235</u>

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated February 1, 2003		
		Principal	Interest	Total
2005	2.00	\$ 250,000	22,410	272,410
2006	2.15	250,000	17,410	267,410
2007	2.50	260,000	12,035	272,035
2008	2.70	205,000	5,535	210,535
Total		<u>\$ 965,000</u>	<u>57,390</u>	<u>1,022,390</u>

Revenue Bonds

Details of the District's June 30, 2004 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Revenue Bonds		
		Principal	Interest	Total
2005	4.50	\$ 480,000	158,328	638,328
2006	4.50	510,000	136,728	646,728
2007	6.00	535,000	113,778	648,778
2008	4.55	565,000	81,678	646,678
2009	4.60	590,000	55,970	645,970
2010	4.65	620,000	28,830	648,830
Total		<u>\$ 3,300,000</u>	<u>575,312</u>	<u>3,875,312</u>

Capital Loan Notes

Details of the District's June 30, 2004 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan Note			
	Interest Rates	Principal	Interest	Total
2005	4.85	\$ 70,000	3,395	73,395
Total		\$ 70,000	3,395	73,395

Early Retirement

The District offers a voluntary early retirement plan to all employees between the ages of 59 and 65 or employees who qualify for IPERS and are at least 55 years of age. Employees must complete an application which is required to be approved by the Board of Education. Administrators must have completed twenty years of continuous service to the District and must also be under current contract to the District. The early retirement incentive for administrators is the employee's per diem rate multiplied by the number of years employed beyond the twelfth year, to a maximum of eighteen, plus an additional amount based on the administrator's position at time of retirement. Administrators are also eligible to continue participation in the District's health care plan at the District's expense until age 65, with benefits transferring at death to the spouse until the spouse reaches age 65. Classified employees must have completed twelve years of continuous service to the District. Early retirement incentives are cash payments based on rate of pay in effect at retirement multiplied by a specific percentage based on age plus participation in the District's health insurance plan at the employee's own expense plus a cash benefit based on the employee's remaining sick leave days multiplied by a given percentage, or an alternate early retirement incentive of participation in the District's health insurance plan until age 65 at the District's expense at the level of the cost during the retirement year. Licensed employees must have completed 25 years of service to the District, with a minimum of twenty years consecutive service and must also be eligible for full IPERS benefits under the rule of 88. Licensed employees early retirement incentives will be a cash payment based on the employee's position in the salary schedule, to a maximum of \$8,000 plus \$100 per year for each consecutive year worked past 15 to a maximum of 25, or the incentive will be continued participation in the District's health insurance plan at District expense at the level of cost in effect at the time of retirement plus the same \$100 per year as noted above. Early retirement benefits paid during the year ended June 30, 2004, totaled \$24,238.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years

ended June 30, 2004, 2003, and 2002 were \$231,624, \$217,035, \$201,478, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$256,835 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include Government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$14,081,650 were restated to \$14,172,377. The restatement primarily includes all capital assets above the District's capitalization threshold.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 630,208	509,911	339,115	61,969	1,541,203
GASB Interpretation 6 adjustments	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 630,208</u>	<u>509,911</u>	<u>339,115</u>	<u>61,969</u>	<u>1,541,203</u>
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$4,808,032					9,364,345
Long-term liabilities:					
Bonds and notes				5,090,000	
Early retirement				98,000	
Compensated absences				<u>34,464</u>	(5,222,464)
Accrued interest payable					<u>(15,986)</u>
Net assets, July 1, 2003, as restated					<u>\$ 5,667,098</u>

(12) Deficit Fund Balance

The Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund had a deficit undesignated fund balance of \$3,601 at June 30, 2004.

REQUIRED SUPPLEMENTAL INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,656,460	385,475
State sources	3,825,722	5,239
Federal sources	84,608	105,818
Intermediate sources	10,947	0
Total revenues	<u>8,577,737</u>	<u>496,532</u>
Disbursements:		
Instruction	4,405,074	0
Support services	2,267,313	0
Non-instructional programs	0	476,145
Other expenditures	1,258,006	0
Total expenditures	<u>7,930,393</u>	<u>476,145</u>
Excess(deficiency) of receipts over(under) disbursements	647,344	20,387
Other financing sources, net	<u>12,200</u>	<u>0</u>
Excess(deficiency) of receipts over(under) disbursements	659,544	20,387
Balance beginning of year	<u>1,191,096</u>	<u>195,568</u>
Balance end of year	<u>\$ 1,850,640</u>	<u>215,955</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,041,935	3,779,772	3,779,772	1,262,163
3,830,961	4,912,353	4,912,353	(1,081,392)
190,426	151,000	151,000	39,426
10,947	6,275	6,275	4,672
<u>9,074,269</u>	<u>8,849,400</u>	<u>8,849,400</u>	<u>224,869</u>
4,405,074	4,747,353	4,747,353	342,279
2,267,313	2,577,150	2,577,150	309,837
476,145	527,750	527,750	51,605
1,258,006	1,428,157	1,428,157	170,151
<u>8,406,538</u>	<u>9,280,410</u>	<u>9,280,410</u>	<u>873,872</u>
667,731	(431,010)	(431,010)	(1,098,741)
12,200	5,000	5,000	(7,200)
679,931	(426,010)	(426,010)	(1,105,941)
1,386,664	2,829,462	2,829,462	(1,442,798)
<u>2,066,595</u>	<u>2,403,452</u>	<u>2,403,452</u>	<u>(336,857)</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,577,737	(657,928)	7,919,809
Expenditures	7,930,393	127,844	8,058,237
Net	647,344	(785,772)	(138,428)
Other financing sources, net	12,200	(12,100)	100
Beginning fund balances	1,191,096	350,107	1,541,203
Ending fund balances	\$ 1,850,640	(447,765)	1,402,875

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 496,532	(1,888)	494,644
Expenditures	476,145	15,705	491,850
Net	20,387	(17,593)	2,794
Other financing sources, net	0	0	0
Beginning fund balances	195,568	162,397	357,965
Ending fund balances	\$ 215,955	144,804	360,759

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

OTHER SUPPLEMENTAL INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 22,901	113,906	3,870	140,677
Receivables:				
Property tax:				
Current year delinquent	1,967	0	2,949	4,916
Succeeding year	100,000	0	153,447	253,447
TOTAL ASSETS	\$ 124,868	113,906	160,266	399,040
LIABILITIES AND FUND EQUITY				
Liabilities:				
Excess of warrants issued over bank balance	\$ 0	0	10,420	10,420
Accounts payable	3,622	3,970	0	7,592
Deferred revenue:				
Succeeding year property tax	100,000	0	153,447	253,447
Total Liabilities	103,622	3,970	163,867	271,459
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	21,246	109,936	(3,601)	127,581
Total fund balances	21,246	109,936	(3,601)	127,581
TOTAL LIABILITIES AND FUND EQUITY	\$ 124,868	113,906	160,266	399,040

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 100,795	0	154,594	255,389
Other	8,343	225,413	1,213	234,969
State sources	55	0	82	137
TOTAL REVENUES	109,193	225,413	155,889	490,495
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	37,026	0	0	37,026
Other instruction	0	224,243	0	224,243
Support services:				
Operation and maintenance of plant services	91,799	0	0	91,799
TOTAL EXPENDITURES	128,825	224,243	0	353,068
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,632)	1,170	155,889	137,427
OTHER FINANCING USES:				
Transfers out	0	0	(71,815)	(71,815)
Total other financing uses	0	0	(71,815)	(71,815)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(19,632)	1,170	84,074	65,612
FUND BALANCE BEGINNING OF YEAR	40,878	108,766	(87,675)	61,969
FUND BALANCE END OF YEAR	\$ 21,246	109,936	(3,601)	127,581

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest Earned On Checking	\$ 236	61	0	297
Elementary Resale	786	6,310	6,609	487
Elementary Guidance	572	0	89	483
Elementary Pop Fund	49	958	829	178
Farrar Carnival	1,706	710	413	2,003
RIF Program	1,466	816	856	1,426
Students In Need	1,777	377	823	1,331
Jump Rope For Heart	2,050	1,706	1,806	1,950
HS Pop Fund	49	4,629	3,017	1,661
Industrial Tech-Donations	434	230	0	664
Adult Education	1,112	0	292	820
General Activities	191	1,766	1,038	919
Interest Earned On Savings	407	379	0	786
Art Fund	2,800	604	70	3,334
HS Play and Musical	0	2,863	1,828	1,035
Vocal Resale	427	1,808	1,930	305
Box Tops For Education	0	356	0	356
Band Resale	(75)	0	0	(75)
Vocal Music Fund	1,143	711	1,431	423
Swing Choir Fund	50	1,385	680	755
Band Fund	404	1,230	1,114	520
Speech Fund	1,613	1,824	1,522	1,915
Activity Passes	762	3,530	2,996	1,296
Cheerleaders	2,620	16,558	15,028	4,150
Jayz Danz	2,052	9,189	10,274	967
Basketball	7,299	27,049	23,524	10,824
Volleyball	974	3,130	2,272	1,832
Football	2,803	12,042	8,290	6,555
Soccer	453	4,789	4,483	759
Baseball	2,320	9,385	11,324	381
Softball	2,338	6,337	9,080	(405)
Track	1,023	9,700	8,084	2,639
Golf	224	13,140	8,873	4,491
Wrestling	0	7,784	6,146	1,638
Athletic Director	426	21,544	17,432	4,538
Scoreboard Advertising	774	0	0	774
Class of 2000	412	0	0	412
Class of 2002	224	0	0	224
Class of 2003	530	0	38	492
Class of 2004	2,372	363	587	2,148
Class of 2005	674	3,645	2,451	1,868
Class of 2006	262	0	146	116
Class of 2008	0	202	98	104
Springbrook	3,499	7,609	7,173	3,935
Student Council	4,900	2,275	6,216	959
TLC	305	0	55	250
Honor Society	0	158	158	0
Club Hola	30,347	18,608	40,200	8,755
Health Fund	91	0	0	91
Jerrica Memorial Library	1,854	0	1,565	289
Football Varsity Clinic/Camp	450	5,137	2,243	3,344
Piano Fund	912	0	0	912
Elementary Yearbook	839	2,608	2,771	676
Elementary Pictures	349	780	310	819
High School Yearbook	17,080	7,549	5,787	18,842
HS Pictures	1,292	1,904	52	3,144
Football Flag	1,109	1,675	2,240	544
Total	\$ 108,766	225,413	224,243	109,936

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 3,161,114	3,001,538	2,749,489	2,797,939
Tuition	536,214	500,921	334,677	351,945
Other	341,675	477,419	392,278	443,174
Intermediate sources	0	0	0	2,735
State sources	3,808,308	3,750,471	3,314,019	3,465,510
Federal sources	72,498	66,093	48,881	34,946
Total	\$ 7,919,809	7,796,442	6,839,344	7,096,249
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,026,436	2,816,228	2,645,693	2,707,063
Special instruction	777,373	582,036	653,559	417,755
Other instruction	644,877	536,951	510,222	468,728
Support services:				
Student services	247,041	313,815	300,535	227,236
Instructional staff services	175,735	179,411	198,498	238,596
Administration services	736,568	669,975	636,174	894,700
Operation and maintenance of plant services	854,074	944,726	666,409	611,389
Transportation services	218,472	212,728	262,028	282,000
Central services	141,415	108,697	0	0
Non-instructional programs	0	0	0	56,894
Other expenditures:				
Facilities acquisitions	3,090	971,199	4,228,489	591,323
Long-term debt:				
Principal	755,000	640,000	605,000	185,000
Interest and other charges	221,321	293,717	300,089	180,413
AEA flow-through	256,835	260,570	242,989	245,041
Total	\$ 8,058,237	8,530,053	11,249,685	7,106,138

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Bondurant-Farrar Community School District:

We have audited the financial statements of Bondurant-Farrar Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 16, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04 and I-D-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

September 16, 2004

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-04 Student Activity Account – We noted during the audit that the Student Activity Fund had balances in old class accounts.

Recommendation – These accounts are inactive accounts as the classes have graduated and therefore is no longer legitimate funds. These balances may be transferred to another student activity account in accordance with the Uniform Accounting Procedural Manual.

Response – We will review the inactive accounts and make necessary transfers.

Conclusion – Response accepted.

I-C-04 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response – We will review the coding of bills for propriety of coding.

Conclusion – Response accepted.

I-D-04 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response – We will implement procedures to provide more timely bank reconciliations.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 did not exceed the certified budget amounts.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions - No business transactions between the District and District officials were noted.
- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - We will provide the minutes to be published within the required two week period.
- Conclusion - Response accepted.
- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition - The District had a deficit unreserved fund balance of \$3,601 in the Physical Plant & Equipment Levy Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response – We will continue to monitor this fund.

Conclusion – Response accepted.