

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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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 2004 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
Board of Education (After September 2004 election)		
Warren Nielsen	President	2005
Bill Elson	Vice President	2005
Allison Bishop	Board Member	2006
Kim Bailey	Board Member	2007
Mike Adams	Board Member	2007
School Officials		
Craig S. Cochran	Superintendent	2005
Gail Helm	District Secretary/Treasurer	2005
Sue Seitz	Attorney	2005

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District, Bondurant, Iowa as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2005, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting 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. 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another firm previously audited the financial statements for the two 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, 2003. Other supplementary 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

November 16, 2005

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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,257,317 in fiscal 2004 to \$6,567,466 in fiscal 2005, while General Fund expenditures also increased from \$6,725,758 in fiscal 2004 to \$6,763,951 in fiscal 2005. This resulted in a decrease in the District's fund balance from \$161,867 in fiscal 2004 to a deficit \$34,618 in fiscal 2005, which was a 121% decrease from the prior year.
- The increase in General Fund revenues was attributable to a increase in property tax and state sources. The increase in expenditures was due to the increase in negotiated salary and benefits.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$6,157 in fiscal year 2004 to \$29,483 in fiscal year 2005.
- During the year the District purchased land for a future high school site for \$507,375.

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.

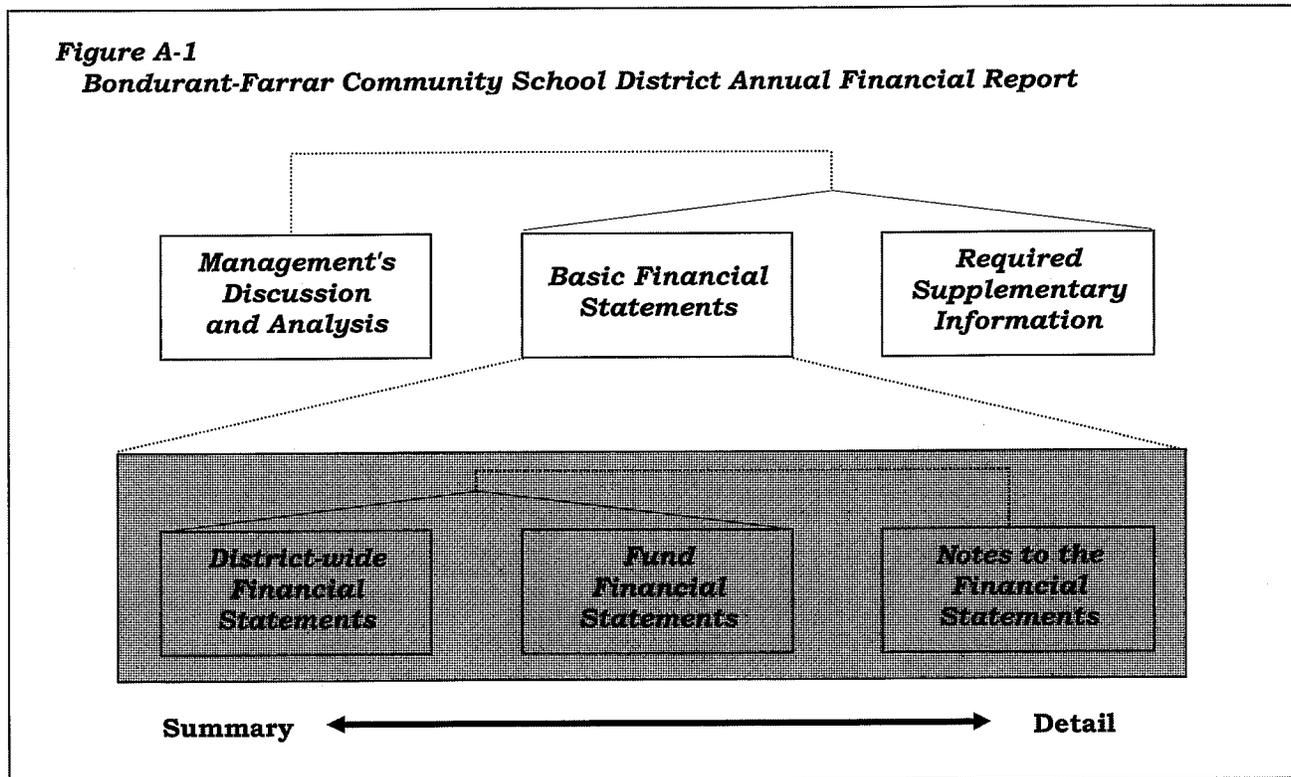


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Current and other assets	\$ 5,761,526	5,852,260	209,544	243,122	5,971,070	6,095,382
Capital assets	9,240,700	9,050,156	183,397	148,655	9,424,097	9,198,811	2.45%
Total assets	15,002,226	14,902,416	392,941	391,777	15,395,167	15,294,193	0.66%
Long-term obligations	3,725,465	4,508,166	0	0	3,725,465	4,508,166	-17.36%
Other liabilities	4,650,538	4,380,594	42,424	31,018	4,692,962	4,411,612	6.38%
Total liabilities	8,376,003	8,888,760	42,424	31,018	8,418,427	8,919,778	-5.62%
Net assets:							
Invested in capital assets, net of related debt	6,537,687	5,806,704	183,397	148,655	6,721,084	5,955,359	12.86%
Restricted	364,419	196,042	0	0	364,419	196,042	85.89%
Unrestricted	(275,883)	10,910	167,120	212,104	(108,763)	223,014	-148.77%
Total net assets	\$ 6,626,223	6,013,656	350,517	360,759	6,976,740	6,374,415	9.45%

The District's combined net assets increased by 9.45%, or \$602,325, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$168,377, or 85.89% over the prior year. The increase was primarily a result of increase in the unspent state monies that are unspent at the year end.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$331,777, or 148.77%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance and additional early retirement and compensated absences.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 918,322	866,974	230,170	200,775	1,148,492	1,067,749	7.56%
Operating grants and contributions and restricted interest	651,265	579,795	120,246	111,057	771,511	690,852	11.68%
General revenues:							
Property tax	2,416,138	2,362,766	0	0	2,416,138	2,362,766	2.26%
Local option sales and service tax	895,105	885,417	0	0	895,105	885,417	1.09%
Unrestricted state grants	3,446,934	3,301,011	0	0	3,446,934	3,301,011	4.42%
Unrestricted investment earnings	43,863	10,915	2,200	1,506	46,063	12,421	270.85%
Other	0	100	197,690	181,306	197,690	181,406	8.98%
Total revenues	<u>8,371,627</u>	<u>8,006,978</u>	<u>550,306</u>	<u>494,644</u>	<u>8,921,933</u>	<u>8,501,622</u>	<u>4.94%</u>
Program expenses:							
Governmental activities:							
Instructional	4,681,595	4,440,904	0	0	4,681,595	4,440,904	5.42%
Support services	2,341,529	2,492,265	0	0	2,341,529	2,492,265	-6.05%
Non-instructional programs	0	0	560,548	491,850	560,548	491,850	13.97%
Other expenses	735,936	727,251	0	0	735,936	727,251	1.19%
Total expenses	<u>7,759,060</u>	<u>7,660,420</u>	<u>560,548</u>	<u>491,850</u>	<u>8,319,608</u>	<u>8,152,270</u>	<u>2.05%</u>
Change in net assets	612,567	346,558	(10,242)	2,794	602,325	349,352	72.41%
Beginning net assets	<u>6,013,656</u>	<u>5,667,098</u>	<u>360,759</u>	<u>357,965</u>	<u>6,374,415</u>	<u>6,025,063</u>	<u>5.80%</u>
Ending net assets	<u>\$ 6,626,223</u>	<u>6,013,656</u>	<u>350,517</u>	<u>360,759</u>	<u>6,976,740</u>	<u>6,374,415</u>	<u>9.45%</u>

Property tax, local option sales and services tax and unrestricted state grants account for 76% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues were in the Property Tax and Local Option Sales and Services Tax monies, increased interest rates resulted in additional unrestricted investment earnings. The construction house sold for more than the previous year recorded as Other under General Revenues. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels was caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$8,371,627 and expenses were \$7,759,060.

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	\$ 4,681,595	3,375,790
Support services	2,341,529	2,340,249
Other expenses	735,936	473,434
Totals	<u>\$ 7,759,060</u>	<u>6,189,473</u>

- The cost financed by users of the District's programs was \$918,322.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$651,265.
- The net cost of governmental activities was financed with \$2,416,138 in property tax, \$895,105 in local option sales and services tax, \$3,446,934 in state foundation aid and \$43,863 in interest income.

Business-Type Activities

Revenues for business type activities were \$550,306 and expenses were \$560,548. 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. Also, the sale of property is included as an other financing sources.

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 \$1,031,772, a decrease of 26.45% below last years ending fund balances of \$1,402,875.

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 \$161,867 to a deficit \$34,618, due in part to the increase in expenditures with a revenue shortfall due to previous state-wide cuts in expected funding.
- The Capital Projects Fund balance decreased from \$493,023 at June 30, 2004 to \$143,814 at June 30, 2005, representing a decrease of 71% due to increased capital improvement expenditures.
- The Debt Service Fund balance increased from \$620,404 at June 30, 2004 to \$700,556 at June 30, 2005, representing an increase of 13% due to increased property tax revenues and anticipated bond principal and interest payments.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$283,651 at June 30, 2004 to \$211,046 at June 30, 2005, representing a decrease of 26%.

The Construction Class Fund net assets increased from \$77,108 at June 30, 2004 to \$139,471 at June 30, 2005, representing an increase of 81%. This major increase in net assets is due to the District purchasing an additional two lots to be used in future years for construction that are included in the balance sheet as capital assets until sold.

BUDGETARY HIGHLIGHTS

The District's receipts were \$857,787 less than budgeted receipts, a variance of 9.12%. The most significant variance resulted from the District receiving less in local and state 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas due to the timing of disbursements paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$9,424,097, 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 \$397,670.

The original cost of the District's capital assets was \$15,077,995. Governmental funds account for \$14,751,102, with the remainder of \$326,893 accounted for in the Proprietary, School Nutrition Fund.

The largest category change in capital asset activity during the year occurred in the land category. The District's land totaled \$580,973 at June 30, 2005 compared to \$0 reported at June 30, 2004. This significant increase resulted from the purchase of land for two construction class houses and land north of town to be used for the construction of a new high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Land	\$ 507,375	0	73,598	0	580,973	0
Buildings	8,214,657	8,449,555	0	0	8,214,657	8,449,555	-2.86%
Land improvements	205,983	226,890	0	0	205,983	226,890	-10.15%
Machinery and equipment	312,685	373,711	109,799	148,655	422,484	522,366	-23.64%
Total	\$ 9,240,700	9,050,156	183,397	148,655	9,424,097	9,198,811	2.39%

Long-Term Debt

At June 30, 2005, the District had \$3,725,465 in general obligation and other long-term debt outstanding. This represents a decrease of 17.4% 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.

The District had total outstanding General Obligation Bonds payable of \$715,000 at June 30, 2005.

The District had total outstanding Revenue Bonds payable of \$2,820,000 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$144,381 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 715,000	965,000	-25.9%
Revenue Bonds	2,820,000	3,300,000	-14.5%
Capital Loan Notes	0	70,000	-100.0%
Early Retirement	144,381	139,317	3.6%
Compensated Absences	46,084	33,849	36.1%
Totals	\$ 3,725,465	4,508,166	-17.4%

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 1,391,758	0	1,391,758
Other	1,385,177	4,134	1,389,311
Receivables			
Property tax:			
Delinquent	25,670	0	25,670
Succeeding year	2,497,402	0	2,497,402
Income surtax	91,599	0	91,599
Interfund	28,948	0	28,948
Accounts	0	197,690	197,690
Accrued ISCAP interest(Note 5)	5,165	0	5,165
Due from other governments	335,807	0	335,807
Inventories	0	7,720	7,720
Capital assets, net of accumulated depreciation(Note 6)	9,240,700	183,397	9,424,097
TOTAL ASSETS	15,002,226	392,941	15,395,167
LIABILITIES			
Interfund payable	0	28,948	28,948
Accounts payable	166,003	0	166,003
Salaries and benefits payable	567,324	7,596	574,920
ISCAP warrants payable(Note 5)	1,386,000	0	1,386,000
ISCAP accrued interest payable(Note 5)	5,536	0	5,536
ISCAP unamortized premium	15,890	0	15,890
Accrued interest payable	12,383	0	12,383
Deferred revenue:			
Succeeding year property tax	2,497,402	0	2,497,402
Other	0	5,880	5,880
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	250,000	0	250,000
Revenue bonds	510,000	0	510,000
Early retirement	31,436	0	31,436
Compensated absences	46,084	0	46,084
Portion due after one year:			
General obligation bonds payable	465,000	0	465,000
Revenue bonds	2,310,000	0	2,310,000
Early retirement	112,945	0	112,945
TOTAL LIABILITIES	8,376,003	42,424	8,418,427
NET ASSETS			
Investment in capital assets, net of related debt	6,537,687	183,397	6,721,084
Restricted for:			
Talented and gifted	49,761	0	49,761
Early intervention	110,637	0	110,637
Physical plant and equipment levy	77,144	0	77,144
Other special revenue purposes	126,877	0	126,877
Unrestricted	(275,883)	167,120	(108,763)
TOTAL NET ASSETS	\$ 6,626,223	350,517	6,976,740

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 3,147,982	386,335	342,994
Special instruction	643,883	78,074	44,489
Other instruction	889,730	453,913	0
	<u>4,681,595</u>	<u>918,322</u>	<u>387,483</u>
Support services:			
Student services	286,397	0	0
Instructional staff services	197,358	0	0
Administration services	786,048	0	0
Operation and maintenance of plant services	732,201	0	0
Transportation services	227,786	0	1,280
Other services	111,739	0	0
	<u>2,341,529</u>	<u>0</u>	<u>1,280</u>
Other expenditures:			
Facilities acquisitions	34,775	0	0
Long-term debt interest	182,854	0	0
AEA flowthrough	262,502	0	262,502
Depreciation(unallocated) *	255,805	0	0
	<u>735,936</u>	<u>0</u>	<u>262,502</u>
Total governmental activities	7,759,060	918,322	651,265
Business-Type activities:			
Non-instructional programs:			
Nutrition services	425,221	230,170	120,246
Construction Class	135,327	0	0
Total business-type activities	<u>560,548</u>	<u>230,170</u>	<u>120,246</u>
Total	<u>\$ 8,319,608</u>	<u>1,148,492</u>	<u>771,511</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

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,418,653)	0	(2,418,653)
(521,320)	0	(521,320)
(435,817)	0	(435,817)
<u>(3,375,790)</u>	<u>0</u>	<u>(3,375,790)</u>
(286,397)	0	(286,397)
(197,358)	0	(197,358)
(786,048)	0	(786,048)
(732,201)	0	(732,201)
(226,506)	0	(226,506)
(111,739)	0	(111,739)
<u>(2,340,249)</u>	<u>0</u>	<u>(2,340,249)</u>
(34,775)	0	(34,775)
(182,854)	0	(182,854)
0	0	0
(255,805)	0	(255,805)
<u>(473,434)</u>	<u>0</u>	<u>(473,434)</u>
(6,189,473)	0	(6,189,473)
0	(74,805)	(74,805)
0	(135,327)	(135,327)
0	(210,132)	(210,132)
<u>(6,189,473)</u>	<u>(210,132)</u>	<u>(6,399,605)</u>
\$ 1,983,267	0	1,983,267
278,603	0	278,603
154,268	0	154,268
895,105	0	895,105
3,446,934	0	3,446,934
43,863	2,200	46,063
0	197,690	197,690
<u>6,802,040</u>	<u>199,890</u>	<u>7,001,930</u>
612,567	(10,242)	602,325
<u>6,013,656</u>	<u>360,759</u>	<u>6,374,415</u>
<u>\$ 6,626,223</u>	<u>350,517</u>	<u>6,976,740</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 1,391,758	0	0	0	1,391,758
Other	533,732	(71,337)	697,576	225,206	1,385,177
Receivables:					
Property tax:					
Delinquent	19,912	0	2,980	2,778	25,670
Succeeding year	1,935,491	0	275,530	286,381	2,497,402
Income surtax	91,599	0	0	0	91,599
Interfund	28,948	77,837	0	0	106,785
Accrued ISCAP interest (Note 5)	5,165	0	0	0	5,165
Due from other governments	198,493	137,314	0	0	335,807
TOTAL ASSETS	\$ 4,205,098	143,814	976,086	514,365	5,839,363
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 77,837	0	0	0	77,837
Accounts payable	160,039	0	0	5,964	166,003
Salaries and benefits payable	567,324	0	0	0	567,324
ISCAP warrants payable (Note 5)	1,386,000	0	0	0	1,386,000
ISCAP accrued interest payable (Note 5)	5,536	0	0	0	5,536
ISCAP unamortized premium	15,890	0	0	0	15,890
Deferred revenue:					
Succeeding year property tax	1,935,491	0	275,530	286,381	2,497,402
Income surtax	91,599	0	0	0	91,599
Total liabilities	4,239,716	0	275,530	292,345	4,807,591
Fund balances:					
Reserved for:					
Debt service	0	0	700,556	0	700,556
Talented and gifted	49,761	0	0	0	49,761
Early intervention	110,637	0	0	0	110,637
Unreserved:					
Undesignated	(195,016)	143,814	0	222,020	170,818
Total fund balances	(34,618)	143,814	700,556	222,020	1,031,772
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,205,098	143,814	976,086	514,365	5,839,363

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$	1,031,772
 <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 reported as assets in in the governmental funds.		9,240,700
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.		(12,383)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		91,599
Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(3,725,465)</u>
Net assets of governmental activites (page 14)	\$	<u><u>6,626,223</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,878,200	895,105	278,603	254,805	3,306,713
Tuition	464,409	0	0	0	464,409
Other	126,946	97	12,794	357,939	497,776
State sources	3,974,650	0	149	139	3,974,938
Federal sources	123,261	0	0	0	123,261
Total revenues	<u>6,567,466</u>	<u>895,202</u>	<u>291,546</u>	<u>612,883</u>	<u>8,367,097</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,119,356	0	0	0	3,119,356
Special instruction	643,686	0	0	0	643,686
Other instruction	565,912	0	0	324,632	890,544
	<u>4,328,954</u>	<u>0</u>	<u>0</u>	<u>324,632</u>	<u>4,653,586</u>
Support services:					
Student services	259,652	0	0	26,745	286,397
Instructional staff services	193,651	0	0	0	193,651
Administration services	778,394	0	0	0	778,394
Operation and maintenance of plant services	624,986	0	0	91,973	716,959
Transportation services	204,073	0	0	0	204,073
Other services	111,739	0	0	0	111,739
	<u>2,172,495</u>	<u>0</u>	<u>0</u>	<u>118,718</u>	<u>2,291,213</u>
Other expenditures:					
Facilities acquisitions	0	538,953	0	3,197	542,150
Long-term debt:					
Principal	0	0	800,000	0	800,000
Interest and fiscal charges	0	0	188,749	0	188,749
AEA flowthrough	262,502	0	0	0	262,502
	<u>262,502</u>	<u>538,953</u>	<u>988,749</u>	<u>3,197</u>	<u>1,793,401</u>
Total expenditures	<u>6,763,951</u>	<u>538,953</u>	<u>988,749</u>	<u>446,547</u>	<u>8,738,200</u>
Excess(deficiency) of revenues over(under) expenditures	(196,485)	356,249	(697,203)	166,336	(371,103)
Other financing sources (uses):					
Transfers in	0	0	777,355	0	777,355
Transfers out	0	(705,458)	0	(71,897)	(777,355)
Total other financing sources (uses)	<u>0</u>	<u>(705,458)</u>	<u>777,355</u>	<u>(71,897)</u>	<u>0</u>
Net change in fund balances	(196,485)	(349,209)	80,152	94,439	(371,103)
Fund balance beginning of year	161,867	493,023	620,404	127,581	1,402,875
Fund balance end of year	<u>\$ (34,618)</u>	<u>143,814</u>	<u>700,556</u>	<u>222,020</u>	<u>1,031,772</u>

SEE NOTES TO BASIC 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, 2005

Net change in fund balances - total governmental funds (page 19) \$ (371,103)

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	\$ 549,358	
Depreciation expense	<u>(358,814)</u>	190,544

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	800,000
--------	---------

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.

5,895

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

4,530

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	\$ (5,064)	
Compensated absences	<u>(12,235)</u>	<u>(17,299)</u>

Changes in net assets of governmental activities (page 16) \$ 612,567

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	School Nutrition	Construction Class	Total
ASSETS			
Cash and pooled investments	\$ 135,951	(131,817)	4,134
Accounts receivable	0	197,690	197,690
Inventories	7,720	0	7,720
Capital assets, net of accumulated depreciation (Note 6)	109,799	73,598	183,397
Total assets	253,470	139,471	392,941
LIABILITIES			
Interfund payable	28,948	0	28,948
Salaries and benefits payable	7,596	0	7,596
Deferred revenue:			
Other	5,880	0	5,880
Total liabilities	42,424	0	42,424
NET ASSETS			
Investment in capital assets	109,799	73,598	183,397
Unrestricted	101,247	65,873	167,120
Total net assets	\$ 211,046	139,471	350,517

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition	Construction Class	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 230,170	0	230,170
TOTAL OPERATING REVENUES	<u>230,170</u>	<u>0</u>	<u>230,170</u>
OPERATING EXPENSES:			
Salaries	124,911	0	124,911
Benefits	33,490	0	33,490
Services	5,861	64,234	70,095
Supplies	222,103	67,016	289,119
Depreciation	38,856	0	38,856
Other	0	4,077	4,077
TOTAL OPERATING EXPENSES	<u>425,221</u>	<u>135,327</u>	<u>560,548</u>
OPERATING LOSS	<u>(195,051)</u>	<u>(135,327)</u>	<u>(330,378)</u>
NON-OPERATING REVENUES:			
State sources	5,465	0	5,465
Federal sources	114,781	0	114,781
Interest on investments	2,200	0	2,200
Sale of real property	0	197,690	197,690
TOTAL NON-OPERATING REVENUES	<u>122,446</u>	<u>197,690</u>	<u>320,136</u>
Changes in net assets	(72,605)	62,363	(10,242)
Net assets beginning of year	<u>283,651</u>	<u>77,108</u>	<u>360,759</u>
Net assets end of year	<u>\$ 211,046</u>	<u>139,471</u>	<u>350,517</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition	Construction Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 234,066	0	234,066
Cash received from miscellaneous operating activities	96	0	96
Cash payments to employees for services	(158,101)	0	(158,101)
Cash payments to suppliers for goods or services	(201,477)	(139,581)	(341,058)
Net cash used in operating activities	(125,416)	(139,581)	(264,997)
Cash flows from non-capital financing activities:			
State grants received	5,465	0	5,465
Federal grants received	90,161	0	90,161
Net cash provided by non-capital financing activities	95,626	0	95,626
Cash flows from capital and related financing activities:			
Acquisition of capital assets	0	(73,598)	(73,598)
Net cash used in capital and related financing activities	0	(73,598)	(73,598)
Cash flows from investing activities:			
Interest on investments	2,200	0	2,200
Borrowings from General Fund	11,368	0	11,368
Net cash provided by investing activities	13,568	0	13,568
Net decrease in cash and cash equivalents	(16,222)	(213,179)	(229,401)
Cash and cash equivalents at beginning of year	152,173	81,362	233,535
Cash and cash equivalents at end of year	\$ 135,951	(131,817)	4,134
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (195,051)	(135,327)	(330,378)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	24,620	0	24,620
Depreciation	38,856	0	38,856
Decrease in inventories	1,867	0	1,867
Decrease in accounts payable	0	(4,254)	(4,254)
Increase in salaries and benefits payable	300	0	300
Increase in deferred revenue	3,992	0	3,992
Net cash used in operating activities	\$ (125,416)	(139,581)	(264,997)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 135,951	(131,817)	4,134
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2005, the District received Federal commodities valued at \$24,620.			
SEE NOTES TO BASIC FINANCIAL STATEMENTS.			

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

(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, 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Construction Class Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Construction Class Fund is used to account for the construction of houses within the District as part of a class.

C. Measurement Focus and Basis of Accounting

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

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 funds 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, machinery, 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
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery 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
Land improvements	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, 2005. 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. During the year ended June 30, 2005 expenditures in the non-instruction programs and other expenditures functional program areas exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>11,644</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 77,837
General	Enterprise, School Nutrition	<u>28,948</u>
Total		<u>\$ 106,785</u>

The General Fund is repaying the Capital Projects Fund for local option sales and services tax that was not transferred before June 30, 2005. The balance will be transferred by June 30, 2006. The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefit expenses that was not transferred before June 30, 2005. The balance will be transferred by June 30, 2006.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 705,458
Debt Service	Special Revenue, Physical Plant and Equipment Levy	<u>71,897</u>
Total		<u>\$ 777,355</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, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/04	6/30/05	\$ 179	0	0	0
2004-05B	1/28/05	1/27/06	365,052	4,946	364,000	5,340
2005-06A	6/28/05	6/28/06	1,026,527	219	1,022,000	196
Total			<u>\$ 1,391,758</u>	<u>5,165</u>	<u>1,386,000</u>	<u>5,536</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. ISCAP advance activity in the General Fund for the year ended June 30, 2005.

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	550,000	550,000	0

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
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 0	507,375	0	507,375
Total capital assets not being depreciated	<u>0</u>	<u>507,375</u>	<u>0</u>	<u>507,375</u>
Capital assets being depreciated:				
Buildings	11,395,998	0	0	11,395,998
Land improvements	634,717	0	0	634,717
Machinery and equipment	2,206,041	41,983	35,012	2,213,012
Total capital assets being depreciated	<u>14,236,756</u>	<u>41,983</u>	<u>35,012</u>	<u>14,243,727</u>
Less accumulated depreciation for:				
Buildings	2,946,443	234,898	0	3,181,341
Land improvements	407,827	20,907	0	428,734
Machinery and equipment	1,832,330	103,009	35,012	1,900,327
Total accumulated depreciation	<u>5,186,600</u>	<u>358,814</u>	<u>35,012</u>	<u>5,510,402</u>
Total capital assets being depreciated, net	<u>9,050,156</u>	<u>(316,831)</u>	<u>0</u>	<u>8,733,325</u>
Governmental activities capital assets, net	<u>\$ 9,050,156</u>	<u>190,544</u>	<u>0</u>	<u>9,240,700</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 0	73,598	0	73,598
Total capital assets not being depreciated	<u>0</u>	<u>73,598</u>	<u>0</u>	<u>73,598</u>
Capital assets being depreciated:				
Machinery and equipment	272,449	0	19,154	253,295
Less accumulated depreciation	123,794	38,856	19,154	143,496
Total capital assets being depreciated, net	<u>148,655</u>	<u>(38,856)</u>	<u>0</u>	<u>109,799</u>
Business-type activities capital assets, net	<u>\$ 148,655</u>	<u>34,742</u>	<u>0</u>	<u>183,397</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 38,004
Special		3,035
Other		4,172
Support services:		
Instructional staff		3,707
Administration		7,294
Operation and maintenance of plant		15,242
Transportation		31,555
		<u>103,009</u>
Unallocated depreciation		<u>255,805</u>
		<u>\$ 358,814</u>
Business-type activities:		
Food services		\$ 38,856
Total business-type activities depreciation expense		<u>\$ 38,856</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 965,000	0	250,000	715,000	250,000
Revenue Bonds	3,300,000	0	480,000	2,820,000	510,000
Capital Loan Notes	70,000	0	70,000	0	0
Early Retirement	139,317	37,126	32,062	144,381	31,436
Compensated absences	33,849	46,084	33,849	46,084	46,084
Total	<u>\$ 4,508,166</u>	<u>83,210</u>	<u>865,911</u>	<u>3,725,465</u>	<u>837,520</u>

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated February 1, 2003			
	Interest Rates	Principal	Interest	Total
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>\$ 715,000</u>	<u>34,980</u>	<u>749,980</u>

Revenue Bonds

Details of the District's June 30, 2005 revenue bonded indebtedness is as follows:

Year Ending June 30,	Issue dated June 1, 2001			
	Interest Rates	Principal	Interest	Total
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		\$ 2,820,000	416,984	3,236,984

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$460,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

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 employees 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 employees 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, 2005, totaled \$32,062.

(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 covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$248,808, \$231,624 and \$217,035, respectively, equal to the required contributions for each year.

(9) Risk Management

The Bondurant-Farrar Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. The Bondurant-Farrar Community School District only purchases dental insurance from the Association.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-funded to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit

recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment which was paid with the 2004-2005 premiums was \$473 and the remainder of the assessment is an unknown liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$23,638.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

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 \$262,502 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The General Fund had a deficit undesignated fund balance of \$195,016 at June 30, 2005.

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2005 disbursements in the non-instructional programs and other expenditures functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,102,526	236,362
State sources	3,975,260	5,465
Federal sources	113,166	114,781
Total receipts	<u>8,190,952</u>	<u>356,608</u>
Disbursements:		
Instruction	4,523,683	0
Support services	2,310,383	0
Non-instructional programs	0	597,377
Other expenditures	1,793,401	0
Total disbursements	<u>8,627,467</u>	<u>597,377</u>
Deficiency of receipts under disbursements	(436,515)	(240,769)
Other financing sources(uses), net	<u>0</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements and other financing uses	(436,515)	(240,769)
Balance beginning of year	<u>1,850,640</u>	<u>215,955</u>
Balance end of year	<u>\$ 1,414,125</u>	<u>(24,814)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,338,888	4,644,497	4,644,497	(305,609)
3,980,725	4,693,150	4,693,150	(712,425)
227,947	67,700	67,700	160,247
<u>8,547,560</u>	<u>9,405,347</u>	<u>9,405,347</u>	<u>(857,787)</u>
4,523,683	5,097,700	5,097,700	574,017
2,310,383	2,923,936	2,923,936	613,553
597,377	537,640	537,640	(59,737)
1,793,401	1,028,646	1,028,646	(764,755)
<u>9,224,844</u>	<u>9,587,922</u>	<u>9,587,922</u>	<u>363,078</u>
(677,284)	(182,575)	(182,575)	(494,709)
0	203,395	203,395	(203,395)
(677,284)	20,820	20,820	(698,104)
2,066,595	1,439,188	1,439,188	627,407
<u>1,389,311</u>	<u>1,460,008</u>	<u>1,460,008</u>	<u>(70,697)</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,190,952	176,145	8,367,097
Expenditures	8,627,467	110,733	8,738,200
Net	(436,515)	65,412	(371,103)
Beginning fund balances	1,850,640	(447,765)	1,402,875
Ending fund balances	\$ 1,414,125	(382,353)	1,031,772

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 356,608	(3,992)	352,616
Expenditures	597,377	(36,829)	560,548
Net	(240,769)	32,837	(207,932)
Other financing sources, net	0	197,690	197,690
Beginning net assets	215,955	144,804	360,759
Ending net assets	\$ (24,814)	375,331	350,517

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar 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.

During the year ended June 30, 2005, disbursements in the non-instructional programs and other expenditures functional areas exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 16,871	132,841	75,494	225,206
Receivables:				
Property tax:				
Current year delinquent	1,128	0	1,650	2,778
Succeeding year	125,000	0	161,381	286,381
TOTAL ASSETS	\$ 142,999	132,841	238,525	514,365
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 0	5,964	0	5,964
Deferred revenue:				
Succeeding year property tax	125,000	0	161,381	286,381
Total liabilities	125,000	5,964	161,381	292,345
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	17,999	126,877	77,144	222,020
Total fund balances	17,999	126,877	77,144	222,020
TOTAL LIABILITIES AND FUND EQUITY	\$ 142,999	132,841	238,525	514,365

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, 2005

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 100,537	0	154,268	254,805
Other	14,878	341,573	1,488	357,939
State sources	56	0	83	139
TOTAL REVENUES	<u>115,471</u>	<u>341,573</u>	<u>155,839</u>	<u>612,883</u>
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	324,632	0	324,632
Support services:				
Student support services	26,745	0	0	26,745
Operation and maintenance of plant services	91,973	0	0	91,973
Other expenditures:				
Facilities acquisitions	0	0	3,197	3,197
TOTAL EXPENDITURES	<u>118,718</u>	<u>324,632</u>	<u>3,197</u>	<u>446,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,247)	16,941	152,642	166,336
OTHER FINANCING USES:				
Transfers out	0	0	(71,897)	(71,897)
Total other financing uses	<u>0</u>	<u>0</u>	<u>(71,897)</u>	<u>(71,897)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,247)	16,941	80,745	94,439
FUND BALANCE BEGINNING OF YEAR	<u>21,246</u>	<u>109,936</u>	<u>(3,601)</u>	<u>127,581</u>
FUND BALANCE END OF YEAR	<u>\$ 17,999</u>	<u>126,877</u>	<u>77,144</u>	<u>222,020</u>

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, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest Earned On Checking	\$ 297	327	0	624
Elementary Resale	487	4,623	4,422	688
Elementary Guidance	483	150	313	320
Elementary Pop Fund	178	1,316	1,420	74
Farrar Carnival	2,003	737	468	2,272
RIF Program	1,426	468	427	1,467
Students In Need	1,331	1,755	1,718	1,368
Jump Rope For Heart	1,950	1,774	1,824	1,900
HS Pop Fund	1,661	2,534	1,699	2,496
Industrial Tech-Donations	664	219	233	650
Adult Education	820	0	(292)	1,112
General Activities	919	3,438	1,820	2,537
Interest Earned On Savings	786	295	0	1,081
Art Fund	3,334	1,566	1,596	3,304
HS Play and Musical	1,035	3,286	3,806	515
Vocal Resale	305	4,157	4,173	289
Box Tops For Education	356	0	0	356
Band Resale	(75)	331	171	85
Vocal Music Fund	423	3,812	4,358	(123)
Swing Choir Fund	755	0	8	747
Band Fund	520	61	481	100
Speech Fund	1,915	1,391	1,103	2,203
Activity Passes	1,296	1,325	543	2,078
Cheerleaders	4,150	16,106	14,628	5,628
Jayz Danz	967	10,010	9,121	1,856
Basketball	10,824	41,382	41,109	11,097
Volleyball	1,832	5,458	4,797	2,493
Football	6,555	23,901	18,866	11,590
Soccer	759	6,462	6,156	1,065
Baseball	381	9,844	7,849	2,376
Softball	(405)	5,565	3,989	1,171
Track	2,639	11,384	11,202	2,821
Golf	4,491	9,925	11,563	2,853
Wrestling	1,638	12,377	11,591	2,424
Athletic Director	4,538	16,824	14,293	7,069
Scoreboard Advertising	774	0	0	774
Class of 2000	412	(412)	0	0

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Class of 2002	224	(224)	0	0
Class of 2003	492	(492)	0	0
Class of 2004	2,148	(1,885)	263	0
Class of 2005	1,868	603	335	2,136
Class of 2006	116	4,383	2,492	2,007
Class of 2007	0	603	30	573
Class of 2008	104	603	0	707
Class of 2009	0	843	0	843
Springbrook	3,935	9,142	7,742	5,335
Student Council	959	7,248	6,397	1,810
TLC	250	0	0	250
Honor Society	0	256	256	0
Club Hola	8,755	88,717	94,457	3,015
Health Fund	91	0	0	91
Jerrica Memorial Library	289	0	256	33
Football Varsity Clinic/Camp	3,344	3,650	6,242	752
Softball Camp	0	6,817	3,409	3,408
Piano Fund	912	(912)	0	0
Elementary Yearbook	676	2,459	2,244	891
Elementary Pictures	819	771	0	1,590
High School Yearbook	18,842	8,835	8,218	19,459
HS Pictures	3,144	1,892	2,674	2,362
Football Flag	544	2,785	1,623	1,706
JH Football Camp	0	3,088	2,539	549
Total	\$ 109,936	341,573	324,632	126,877

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,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 3,306,713	3,161,114	3,001,538	2,749,489
Tuition	464,409	536,214	500,921	334,677
Other	497,776	341,675	477,419	392,278
State sources	3,974,938	3,808,308	3,750,471	3,314,019
Federal sources	123,261	72,498	66,093	48,881
Total	\$ 8,367,097	7,919,809	7,796,442	6,839,344
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,119,356	3,026,436	2,816,228	2,645,693
Special instruction	643,686	777,373	582,036	653,559
Other instruction	890,544	644,877	536,951	510,222
Support services:				
Student services	286,397	247,041	313,815	300,535
Instructional staff services	193,651	175,735	179,411	198,498
Administration services	778,394	736,568	669,975	636,174
Operation and maintenance of plant services	716,959	854,074	944,726	666,409
Transportation services	204,073	218,472	212,728	262,028
Central services	111,739	141,415	108,697	0
Other expenditures:				
Facilities acquisitions	542,150	3,090	971,199	4,228,489
Long-term debt:				
Principal	800,000	755,000	640,000	605,000
Interest and other charges	188,749	221,321	293,717	300,089
AEA flow-through	262,502	256,835	260,570	242,989
Total	\$ 8,738,200	8,058,237	8,530,053	11,249,685

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 an opinion 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 Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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, including federal awarding agencies and pass-through entities. 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.

November 16, 2005

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

- I-A-05 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-05 Student Activity Fund - We noted during our audit that the District paid cash for the following - officials for a basketball tournament, cash prizes at a Golf Tournament sponsored by the Booster Club, dollar coins given to students for perfect attendance, cash prizes to top sales student participating in football resale and gas for a baseball trip. According to the Uniform Accounting Manual from the Department of Education, no funds from a student organization may be distributed to individual students. The District also had an Elementary Pop Account that appears to better handled as an agency fund. The District had picture and interest accounts. The picture account would be more appropriately handled in the General Fund. The interest earned in the Student Activity Fund needs to be allocated to the various accounts that made up the investment earning the interest.

Recommendation - The District should review the procedures in place and make necessary adjustments in the Student Activity Fund and refrain from paying out cash.

Response - The District will review the procedures and make the necessary adjustments in the Student Activity Fund and refrain from paying out cash.

Conclusion - Response accepted.

- I-C-05 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-05 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.

I-E-05 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We will make the necessary changes.

Conclusion - Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 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, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the non-instructional and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

II-C-05 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-05 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-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Looft, Teacher Owner of Tom's Painting	Purchased Services	\$1,150

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

II-F-05 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-05 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-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 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-05 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-05 Financial Condition - The District had a deficit unreserved fund balance of \$195,016 in the General 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.