

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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Boyer Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 election)</b>		
Ken Dunham	President	2006
Theresa McAllister	Vice President	2005
Jane Davie	Board Member	2004
Ruth Sherwood	Board Member	2004
Pat Putnam	Board Member	2004
Roger Waderich	Board Member (Resigned)	2005
Doug Head	Board Member (Elected)	2005
Randy Mitchell	Board Member	2006
<b>Board of Education (After September 2004 election)</b>		
Ken Dunham	President	2006
Theresa McAllister	Vice President	2005
Doug Head	Board Member	2005
Randy Mitchell	Board Member	2006
Steve Puck	Board Member	2007
Paul Klien	Board Member	2007
Pat Putnam	Board Member	2007
<b>School Officials</b>		
Debra Johnson	Superintendent	2005
Sharon Lee	District Secretary/Treasurer	2005
Mundt, Franck & Schumacher	Attorney	2005

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Boyer Valley 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 Boyer Valley Community School District, Dunlap, 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 Boyer Valley Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

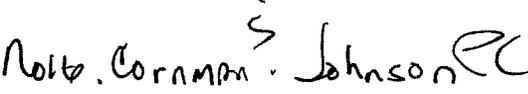
In accordance with Government Auditing Standards, we have also issued our reports dated August 10, 2005 on our consideration of the Boyer Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of those reports are 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. Those reports are 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 38 through 41 are not required parts of the basic financial statements, but are supplementary

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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 Boyer Valley 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 three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 10, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Boyer Valley 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 \$4,392,334 in fiscal 2004 to \$4,414,870 in fiscal 2005, while General Fund expenditures decreased from \$4,549,986 in fiscal 2004 to \$4,450,960 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$194,967 in fiscal 2004 to a balance of \$158,877 in fiscal 2005, an 18.51% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax, reorganization settlements and an interfund transfer from the Capital Projects in fiscal 2005. The decrease in expenditures was due primarily to a decrease in purchased services and equipment expenditures.
- The District's September 2004 enrollment declined compared to the previous year. The certified enrollment was 505.6, a decrease of 3.0 students.

### **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 Boyer Valley 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 Boyer Valley 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 Boyer Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

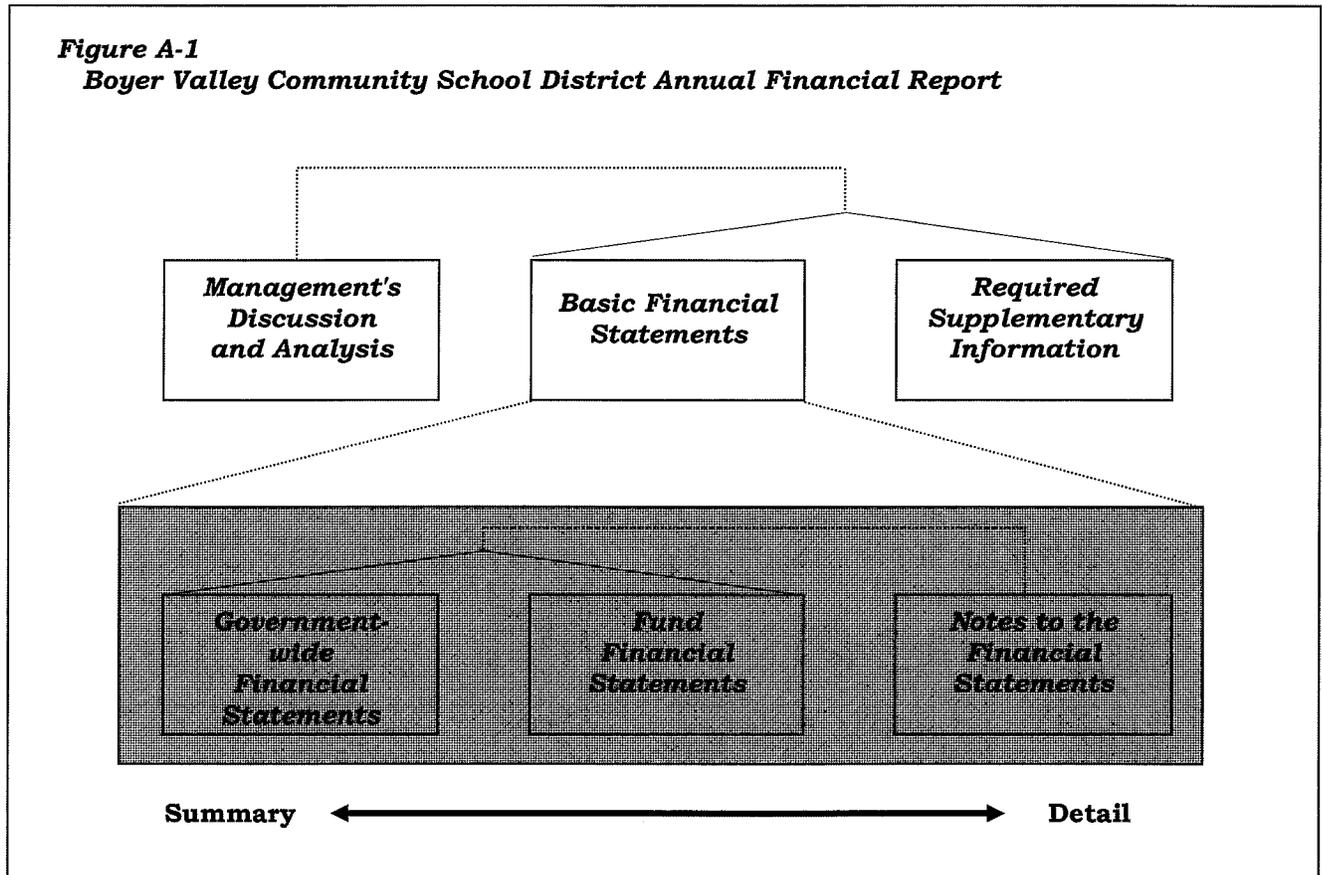


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All 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	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide 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.

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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 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 establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise 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 Day Care Fund.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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	\$ 4,128,900	3,489,271	9,151	42,253	4,138,051	3,531,524	17.17%
Capital assets	7,069,148	5,657,489	83,985	21,053	7,153,133	5,678,542	25.97%
Total assets	11,198,048	9,146,760	93,136	63,306	11,291,184	9,210,066	22.60%
Long-term obligations	5,676,521	5,703,345	0	0	5,676,521	5,703,345	-0.47%
Other liabilities	3,447,638	2,573,207	37,021	24,190	3,484,659	2,597,397	34.16%
Total liabilities	9,124,159	8,276,552	37,021	24,190	9,161,180	8,300,742	10.37%
Net assets:							
Invested in capital assets, net of related debt	1,851,564	441,037	83,985	21,053	1,935,549	462,090	318.87%
Restricted	108,448	176,733	0	0	108,448	176,733	-38.64%
Unrestricted	113,877	252,438	(27,870)	18,063	86,007	270,501	-68.20%
Total net assets	\$ 2,073,889	870,208	56,115	39,116	2,130,004	909,324	134.24%

The District's combined net assets increased by 134.24%, or \$1,220,680, 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 decreased \$68,285, or 38.64% over the prior year. The decrease was primarily a result of the spending of prior year restricted grants and fund balances.

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 \$184,494, or 68.20%. This decrease in unrestricted net assets was a result of the District's decrease in the General fund balance, as well as additional early retirement added during the year.

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	\$ 500,737	706,253	95,632	85,158	596,369	791,411	-24.64%
Operating grants and contributions and restricted interest	780,597	834,521	113,491	117,892	894,088	952,413	-6.12%
Capital grants and contributions and restricted interest	755,090	559,289	0	0	755,090	559,289	35.01%
General revenues:							
Property tax	1,937,658	2,013,341	0	0	1,937,658	2,013,341	-3.76%
Local option sales and services tax	256,488	56,615	0	0	256,488	56,615	353.04%
Unrestricted state grants	1,846,982	1,729,929	0	0	1,846,982	1,729,929	6.77%
Unrestricted investment earnings	20,553	116,060	90	195	20,643	116,255	-82.24%
Total revenues	6,098,105	6,016,008	209,213	203,245	6,307,318	5,427,842	16.20%
Program expenses:							
Governmental activities:							
Instructional	3,017,774	3,076,431	0	0	3,017,774	3,076,431	-1.91%
Support services	1,411,652	1,857,227	0	0	1,411,652	1,857,227	-23.99%
Non-instructional programs	2,270	1,437	236,961	210,355	239,231	211,792	12.96%
Other expenses	501,732	1,377,830	0	0	501,732	1,377,830	-63.59%
Total expenses	4,933,428	6,312,925	236,961	210,355	5,170,389	6,523,280	-20.74%
Changes in net assets before other financing sources, net	1,164,677	(296,917)	(27,748)	(7,110)	1,136,929	(1,095,438)	203.79%
Other financing sources, net	0	0	44,721	0	44,721	0	100.00%
Changes in net assets before extraordinary items	1,164,677	(296,917)	16,973	(7,110)	1,181,650	(1,095,438)	207.87%
Extraordinary items:							
Reorganization settlement	39,004	0	26	0	39,030	0	100.00%
Changes in net assets	1,203,681	(296,917)	16,999	(7,110)	1,220,680	(1,095,438)	211.43%
Beginning net assets	870,208	1,167,125	39,116	46,226	909,324	1,213,351	-25.06%
Ending net assets	\$ 2,073,889	870,208	56,115	39,116	2,130,004	117,913	1706.42%

Property tax, local option sales and services tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

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## Governmental Activities

Revenues for governmental activities were \$6,098,105 and expenses were \$4,933,428.

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	\$ 3,017,774	1,890,754
Support services	1,411,652	1,408,356
Non-instructional programs	2,270	2,270
Other expenses	501,732	(404,376)
Totals	<u>\$ 4,933,428</u>	<u>2,897,004</u>

- The cost financed by users of the District's programs was \$500,737.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,535,687.
- The net cost of governmental activities was financed with \$1,937,658 in property tax, \$256,488 in local option sales and services tax, \$1,846,982 in state foundation aid and \$20,553 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$209,213 and expenses were \$236,961. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$558,091, below last year's ending fund balances of a \$766,526. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to the increased capital construction expenditures.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$194,967 to \$158,877 is the product of many factors:
  - Decreases in open enrollment tuition, other local sources and federal grants during the year were offset by an interfund transfer from the Capital Projects and reorganization settlements resulting in increased revenues.

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- The decrease in purchased services and equipment purchases resulted in a decrease in expenditures. Overall, the expenditures were greater than the revenues; therefore the fund balance decreased \$36,090.
  - The Capital Projects Fund balance decreased from \$431,138 in fiscal 2004 to \$252,263 in fiscal 2005. The District had increased revenues due to a construction grant and local option sales and services tax collections and increased expenditures due to increased construction expenditures.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$60,432 at June 30, 2004 to \$89,402 at June 30, 2005, representing an increase of 47.94%. The Day Care Fund net assets decreased from a deficit \$21,316 at June 30, 2004 to a deficit \$33,287 at June 30, 2005, representing an decrease of 56.16%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Boyer Valley Community School District amended its annual budget one time to reflect additional expenditures associated with the other expenditures.

The District's revenues were \$795,346 less than budgeted revenues, a variance of 12.02%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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 support services and non-instructional programs functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2005, the District had invested \$7.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$160,149.

The original cost of the District's capital assets was \$9.0 million. Governmental funds account for \$8.8 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,650,226 at June 30, 2005, compared to \$1,145,193 reported at June 30, 2004. This increase resulted from the continued capital construction that should be completed during the next year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Land	\$ 1,100	1,100	0	0	1,100	1,100	0.00%
Construction in progress	2,650,226	1,145,193	0	0	2,650,226	1,145,193	56.79%
Buildings	4,148,979	4,116,479	0	0	4,148,979	4,116,479	0.78%
Land improvements	86,100	129,817	0	0	86,100	129,817	-50.77%
Machinery and equipment	182,743	264,900	83,985	21,053	266,728	285,953	-7.21%
<b>Total</b>	<b>\$ 7,069,148</b>	<b>5,657,489</b>	<b>83,985</b>	<b>21,053</b>	<b>7,153,133</b>	<b>5,678,542</b>	<b>20.61%</b>

### Long-Term Debt

At June 30, 2005, the District had \$5,676,522 in general and other long-term debt outstanding. This represents a decrease of .5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$5,300,000 at June 30, 2005.

The District had total outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$150,000 at June 30, 2005.

The District had total outstanding City Note payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$98,726 at June 30, 2005.

The District had total outstanding Bus Lease payable from the Capital Projects Fund of \$31,061 at June 30, 2005.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Funds of \$96,735 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General Obligation Bonds	\$ 5,300,000	5,500,000	-3.6%
Capital Loan Notes	150,000	0	100.0%
City Note	98,726	109,520	-9.9%
Bus Lease	31,061	38,099	-18.5%
Early Retirement	96,735	55,726	73.6%
<b>Totals</b>	<b>\$ 5,676,522</b>	<b>5,703,345</b>	<b>-0.5%</b>

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## **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:

- Construction is still in progress and should be completed during the 2005-06 school year. Additional funding in the Capital Projects Fund will be needed and this will come from collections of local option sales and services tax.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

## **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 Sharon Lee, Board Secretary, Boyer Valley Community School District, 1102 Iowa Avenue, Dunlap, Iowa, 51529.

BASIC FINANCIAL STATEMENTS

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,245,022	0	1,245,022
Other	241,407	5,589	246,996
Receivables:			
Property tax:			
Delinquent	26,461	0	26,461
Succeeding year	1,819,721	0	1,819,721
Income surtax	180,973	0	180,973
Accounts	1,243	1,293	2,536
Accrued ISCAP interest(Note 4)	4,035	0	4,035
Due from other governments	610,038	0	610,038
Inventories	0	2,269	2,269
Capital assets, net of accumulated depreciation(Note 5)	7,069,148	83,985	7,153,133
<b>TOTAL ASSETS</b>	<b>11,198,048</b>	<b>93,136</b>	<b>11,291,184</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	290,723	34,580	325,303
Accounts payable	19,983	0	19,983
Interest payable	42,024	0	42,024
ISEBA assessment payable(Note 8)	15,777	0	15,777
ISCAP warrants payable(Note 4)	1,240,000	0	1,240,000
ISCAP interest payable(Note 4)	5,450	0	5,450
ISCAP amortized premium	13,959	0	13,959
Deferred revenue:			
Succeeding year property tax	1,819,721	0	1,819,721
Other	0	2,441	2,441
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	205,000	0	205,000
Capital loan note payable	50,000	0	50,000
City note payable	11,118	0	11,118
Bus lease payable	7,318	0	7,318
Early retirement payable	17,821	0	17,821
Portion due after one year:			
General obligation bonds payable	5,095,000	0	5,095,000
Capital loan note payable	100,000	0	100,000
City note payable	87,608	0	87,608
Bus lease payable	23,743	0	23,743
Early retirement payable	78,914	0	78,914
<b>TOTAL LIABILITIES</b>	<b>9,124,159</b>	<b>37,021</b>	<b>9,161,180</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,851,564	83,985	1,935,549
Restricted for:			
Talented and gifted	36,329	0	36,329
Early intervention	1,000	0	1,000
Other special revenue purposes	71,119	0	71,119
Unrestricted	113,877	(27,870)	86,007
<b>TOTAL NET ASSETS</b>	<b>\$ 2,073,889</b>	<b>56,115</b>	<b>2,130,004</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,751,539	168,818	589,850	0
Special instruction	781,921	55,982	27,415	0
Other instruction	484,314	275,937	9,018	0
	<u>3,017,774</u>	<u>500,737</u>	<u>626,283</u>	<u>0</u>
Support services:				
Student services	76,517	0	0	0
Instructional staff services	96,627	0	0	0
Administration services	591,270	0	0	0
Operation and maintenance of plant services	208,724	0	0	0
Transportation services	433,587	0	3,296	0
Other support services	4,927	0	0	0
	<u>1,411,652</u>	<u>0</u>	<u>3,296</u>	<u>0</u>
Non-instructional programs	2,270	0	0	0
Other expenditures:				
Facilities acquisitions	0	0	0	755,090
Long-term debt:				
Interest and fiscal charges	258,052	0	0	0
AEA flowthrough	151,018	0	151,018	0
Depreciation(unallocated)*	92,662	0	0	0
	<u>501,732</u>	<u>0</u>	<u>151,018</u>	<u>755,090</u>
Total governmental activities	4,933,428	500,737	780,597	755,090
Business-Type activities:				
Non-instructional programs:				
Nutrition services	217,980	88,622	113,491	0
Day care services	18,981	7,010	0	0
Total business-type activities	<u>236,961</u>	<u>95,632</u>	<u>113,491</u>	<u>0</u>
Total	<u>\$ 5,170,389</u>	<u>596,369</u>	<u>894,088</u>	<u>755,090</u>

**General Revenues:**

Local tax for:  
  General purposes  
  Capital projects  
  Debt service  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Total general revenues

Changes in net assets before other financing sources(uses)

**Other Financing Sources(Uses):**

Loss on disposal of capital assets  
Capital contributions  
Total other financing sources

Changes in net assets before extraordinary items

**Extraordinary Items:**

Reorganization settlement

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 FINANCIAL STATEMENTS.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(992,871)	0	(992,871)
(698,524)	0	(698,524)
(199,359)	0	(199,359)
(1,890,754)	0	(1,890,754)
(76,517)	0	(76,517)
(96,627)	0	(96,627)
(591,270)	0	(591,270)
(208,724)	0	(208,724)
(430,291)	0	(430,291)
(4,927)	0	(4,927)
(1,408,356)	0	(1,408,356)
(2,270)	0	(2,270)
755,090	0	755,090
(258,052)	0	(258,052)
0	0	0
(92,662)	0	(92,662)
404,376	0	404,376
(2,897,004)	0	(2,897,004)
0	(15,867)	(15,867)
0	(11,971)	(11,971)
0	(27,838)	(27,838)
(2,897,004)	(27,838)	(2,924,842)
\$ 1,388,209	0	1,388,209
100,215	0	100,215
449,234	0	449,234
256,488	0	256,488
1,846,982	0	1,846,982
20,553	90	20,643
4,061,681	90	4,061,771
1,164,677	(27,748)	1,136,929
0	(3,395)	(3,395)
0	48,116	48,116
0	44,721	44,721
1,164,677	16,973	1,181,650
39,004	26	39,030
1,203,681	16,999	1,220,680
870,208	39,116	909,324
\$ 2,073,889	56,115	2,130,004

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 1,245,022	0	0	1,245,022
Other	0	0	241,314	241,314
Receivables:				
Property tax:				
Delinquent	17,155	0	9,306	26,461
Succeeding year	1,114,711	0	705,010	1,819,721
Income surtax	180,973	0	0	180,973
Interfund	203,275	32,999	62,129	298,403
Accounts	455	0	881	1,336
Accrued ISCAP interest (Note 4)	4,035	0	0	4,035
Due from other governments	33,137	576,901	0	610,038
<b>TOTAL ASSETS</b>	<b>\$ 2,798,763</b>	<b>609,900</b>	<b>1,018,640</b>	<b>4,427,303</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ 48,942	149,939	91,842	290,723
Interfund payable	18,919	207,698	71,786	298,403
Accounts payable	16,932	0	3,051	19,983
ISCAP warrants payable (Note 4)	1,240,000	0	0	1,240,000
ISCAP interest payable (Note 4)	5,450	0	0	5,450
ISCAP amortized premium	13,959	0	0	13,959
Deferred revenue:				
Succeeding year property tax	1,114,711	0	705,010	1,819,721
Income surtax	180,973	0	0	180,973
Total liabilities	2,639,886	357,637	871,689	3,869,212
Fund balances:				
Reserved for:				
Debt Service	0	0	41,612	41,612
Talented and gifted	36,329	0	0	36,329
Early intervention	1,000	0	0	1,000
Unreserved:				
Undesignated:				
General	121,548	0	0	121,548
Capital projects	0	252,263	0	252,263
Management levy	0	0	(76,132)	(76,132)
Physical plant and equipment levy	0	0	110,352	110,352
Other special revenue purposes	0	0	71,119	71,119
Total fund balances	158,877	252,263	146,951	558,091
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,798,763</b>	<b>609,900</b>	<b>1,018,640</b>	<b>4,427,303</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 17)</b>	\$	558,091
 <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.		7,069,148
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		180,973
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.		(15,777)
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.		(42,024)
Long-term liabilities, including general obligation bonds, capital loan notes payable, city note payable, bus lease payable, and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(5,676,522)
		<hr/>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u>2,073,889</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,300,610	256,488	648,641	2,205,739
Tuition	224,800	0	0	224,800
Other	66,312	144,781	152,415	363,508
Intermediate sources	8,000	0	0	8,000
State sources	2,221,872	0	0	2,221,872
Federal sources	411,689	674,090	0	1,085,779
Total revenues	<u>4,233,283</u>	<u>1,075,359</u>	<u>801,056</u>	<u>6,109,698</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,716,217	0	31,705	1,747,922
Special instruction	775,501	0	0	775,501
Other instruction	333,844	0	149,855	483,699
	<u>2,825,562</u>	<u>0</u>	<u>181,560</u>	<u>3,007,122</u>
Support services:				
Student services	76,517	0	0	76,517
Instructional staff services	96,627	0	0	96,627
Administration services	727,129	0	7,994	735,123
Operation and maintenance of plant services	350,054	0	44,448	394,502
Transportation services	218,300	0	237,769	456,069
Other support services	4,927	0	0	4,927
	<u>1,473,554</u>	<u>0</u>	<u>290,211</u>	<u>1,763,765</u>
Non-instructional programs:				
Community service and other enterprise operations	826	0	0	826
Food service operations	0	0	1,444	1,444
	<u>826</u>	<u>0</u>	<u>1,444</u>	<u>2,270</u>
Other expenditures:				
Facilities acquisitions	0	1,100,419	5,870	1,106,289
Long-term debt:				
Principal	0	0	267,832	267,832
Interest and fiscal charges	0	0	259,056	259,056
AEA flowthrough	151,018	0	0	151,018
	<u>151,018</u>	<u>1,100,419</u>	<u>532,758</u>	<u>1,784,195</u>
Total expenditures	<u>4,450,960</u>	<u>1,100,419</u>	<u>1,005,973</u>	<u>6,557,352</u>
Deficiency of revenues under expenditures	(217,677)	(25,060)	(204,917)	(447,654)
Other financing sources(uses):				
Reorganization settlements	19,787	16,321	2,896	39,004
Compensation for loss of capital assets	215	0	0	215
Proceeds from sale of capital loan notes	0	0	200,000	200,000
Transfer in	161,585	0	76,209	237,794
Transfer out	0	(170,136)	(67,658)	(237,794)
Total other financing sources(uses)	<u>181,587</u>	<u>(153,815)</u>	<u>211,447</u>	<u>239,219</u>
Net change in fund balances	(36,090)	(178,875)	6,530	(208,435)
Fund balance beginning of year	194,967	431,138	140,421	766,526
Fund balance end of year	<u>\$ 158,877</u>	<u>252,263</u>	<u>146,951</u>	<u>558,091</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY 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) \$ (208,435)

*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. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 1,661,329	
Depreciation expense	(146,871)	
Loss on disposal of capital assets	(102,799)	1,411,659

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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 exceeded issued, as follows:

Issued	\$ (200,000)	
Repaid	267,832	67,832

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.

1,004

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

(11,593)

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.

Early Retirement	\$ (41,009)	
ISEBA Assessment	(15,777)	(56,786)

Changes in net assets of governmental activities (page 16) \$ 1,203,681

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 5,589	0	5,589
Accounts receivable	0	1,293	1,293
Inventories	2,269	0	2,269
Non-current assets:			
Capital assets, net of accumulated depreciation(Note 5)	83,985	0	83,985
<b>TOTAL ASSETS</b>	<b>91,843</b>	<b>1,293</b>	<b>93,136</b>
LIABILITIES			
Excess of warrants issued over bank balance	0	34,580	34,580
Deferred revenue:			
Other	2,441	0	2,441
<b>TOTAL LIABILITIES</b>	<b>2,441</b>	<b>34,580</b>	<b>37,021</b>
NET ASSETS			
Investment in capital assets, net of related debt	83,985	0	83,985
Unrestricted	5,417	(33,287)	(27,870)
<b>Total net assets</b>	<b>\$ 89,402</b>	<b>(33,287)</b>	<b>56,115</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 88,622	7,010	95,632
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	94,409	16,614	111,023
Benefits	17,344	2,258	19,602
Services	2,544	0	2,544
Supplies	90,265	100	90,365
Depreciation	13,278	0	13,278
Other	140	9	149
TOTAL OPERATING EXPENSES	217,980	18,981	236,961
OPERATING LOSS	(129,358)	(11,971)	(141,329)
NON-OPERATING REVENUES:			
State sources	3,160	0	3,160
Federal sources	110,331	0	110,331
Interest income	90	0	90
TOTAL NON-OPERATING REVENUES	113,581	0	113,581
Changes in net assets before other financing sources(uses)	(15,777)	(11,971)	(27,748)
OTHER FINANCING SOURCES(USES)			
Loss on disposal of capital assets	(3,395)	0	(3,395)
Capital contributions	48,116	0	48,116
TOTAL OTHER FINANCING SOURCES(USES)	44,721	0	44,721
Changes in net assets before extraordinary items	28,944	(11,971)	16,973
EXTRAORDINARY ITEMS:			
Reorganization settlements	26	0	26
Changes in net assets	28,970	(11,971)	16,999
Net assets beginning of year	60,432	(21,316)	39,116
Net assets end of year	\$ 89,402	(33,287)	56,115

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
	Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 86,577	0	86,577
Cash received from miscellaneous operating activities	1,612	5,717	7,329
Cash payments to employees for services	(111,753)	(18,872)	(130,625)
Cash payments to suppliers for goods or services	(60,573)	(109)	(60,682)
Net cash used in operating activities	<u>(84,137)</u>	<u>(13,264)</u>	<u>(97,401)</u>
Cash flows from non-capital financing activities:			
Reorganization settlements	26	0	26
State grants received	3,160	0	3,160
Federal grants received	86,973	0	86,973
Net cash provided by non-capital financing activities	<u>90,159</u>	<u>0</u>	<u>90,159</u>
Cash flows from capital financing activities:			
Acquisitions of assets	(31,489)	0	(31,489)
Net cash used in capital financing activities	<u>(31,489)</u>	<u>0</u>	<u>(31,489)</u>
Cash flows from investing activities:			
Interest on investment	90	0	90
Net cash provided by investing activities	<u>90</u>	<u>0</u>	<u>90</u>
Net decrease in cash and cash equivalents	(25,377)	(13,264)	(38,641)
Cash and cash equivalents at beginning of year	30,966	(21,316)	9,650
Cash and cash equivalents at end of year	<u>\$ 5,589</u>	<u>(34,580)</u>	<u>(28,991)</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (129,358)	(11,971)	(141,329)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	23,358	0	23,358
Depreciation	13,278	0	13,278
Decrease in inventories	9,018	0	9,018
Increase in accounts receivable	0	(1,293)	(1,293)
Decrease in deferred revenue	(433)	0	(433)
Net cash used in operating activities	<u>\$ (84,137)</u>	<u>(13,264)</u>	<u>(97,401)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	<u>\$ 5,589</u>	<u>(34,580)</u>	<u>(28,991)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2005, the District received Federal commodities valued at \$23,358.

During the year ended June 30, 2005, the District received capital contributions of \$48,116.

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ <u>2,552</u>
LIABILITIES	
Due to other groups	\$ <u>2,552</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

**(1) Summary of Significant Accounting Policies**

The Boyer Valley 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 Dunlap, Dow City and Arion, Iowa, and the predominate agricultural territory in Harrison, Crawford, Shelby and Monona 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, Boyer Valley 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 Boyer Valley 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 Harrison, Crawford, Shelby and Monona 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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

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

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

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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 are 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

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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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	5-12 years

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.

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 support services and non-instructional programs functional 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 or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2005.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 67,658
Debt Service	Capital Projects	8,551
General	Capital Projects	161,585
Total		<u>\$ 237,794</u>

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

**(4) 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of 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	\$ 83	0	0	0
2004-05B	1/28/05	1/27/06	361,040	3,846	360,000	5,281
2005-06A	6/28/05	6/28/06	883,899	189	880,000	169
Total			<u>\$ 1,245,022</u>	<u>4,035</u>	<u>1,240,000</u>	<u>5,450</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, and must make minimum warrant repayments on 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 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	453,000	453,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as 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%

(5) 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	\$ 1,100	0	0	1,100
Construction in progress	1,145,193	1,505,033	0	2,650,226
Total capital assets not being depreciated	1,146,293	1,505,033	0	2,651,326
Capital assets being depreciated:				
Buildings	4,820,051	94,076	29,139	4,884,988
Land improvements	417,967	0	17,353	400,614
Machinery and equipment	1,120,021	62,220	280,047	902,194
Total capital assets being depreciated	6,358,039	156,296	326,539	6,187,796
Less accumulated depreciation for:				
Buildings	703,572	86,649	54,212	736,009
Land improvements	288,150	6,013	(20,351)	314,514
Machinery and equipment	855,121	54,209	189,879	719,451
Total accumulated depreciation	1,846,843	146,871	223,740	1,769,974
Total capital assets being depreciated, net	4,511,196	9,425	102,799	4,417,822
Governmental activities capital assets, net	\$ 5,657,489	1,514,458	102,799	7,069,148
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 123,739	79,605	37,607	165,737
Less accumulated depreciation	102,686	13,278	34,212	81,752
Business-type activities capital assets, net	\$ 21,053	66,327	3,395	83,985

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,598
Special		6,420
Other		615
Support services:		
Administration		1,396
Operation and maintenance of plant		4,458
Transportation		36,722
		<u>54,209</u>
Unallocated depreciation		<u>92,662</u>
		<u>\$ 146,871</u>
Business-type activities:		
Food services		\$ 13,278
Total business-type activities depreciation expense		<u>\$ 13,278</u>

**(6) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 5,500,000	0	200,000	5,300,000	205,000
Capital Loan Note	0	200,000	50,000	150,000	50,000
City Note	109,520	0	10,794	98,726	11,118
Bus Lease	38,099	0	7,038	31,061	7,318
Early Retirement	55,726	54,751	13,742	96,735	17,821
Total	<u>\$ 5,703,345</u>	<u>254,751</u>	<u>281,574</u>	<u>5,676,522</u>	<u>291,257</u>

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is continued health insurance coverage paid by the District equal to the insurance rate at the time of the employee's retirement for a maximum of seven years. Early retirement benefits paid during the year ended June 30, 2005, totaled \$13,742. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

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

Year Ending June 30,	Issue of July 1, 2002				
	Interest Rates		Principal	Interest	Total
2006	4.00 %	\$	205,000	242,778	447,778
2007	4.00		220,000	234,378	454,378
2008	4.00-4.20		230,000	225,478	455,478
2009	4.20		240,000	215,828	455,828
2010	5.00		250,000	205,143	455,143
2011	5.00		265,000	192,518	457,518
2012	5.00		275,000	179,143	454,143
2013	4.25-4.35		290,000	165,687	455,687
2014	4.35-4.45		300,000	153,035	453,035
2015	4.45-4.50		315,000	139,649	454,649
2016	4.50-4.55		330,000	125,288	455,288
2017	4.55-4.65		350,000	110,087	460,087
2018	4.65-4.75		365,000	93,783	458,783
2019	4.75-4.80		385,000	76,298	461,298
2020	4.80-4.85		405,000	57,626	462,626
2021	4.85-4.90		425,000	37,790	462,790
2022	4.90-4.95		450,000	16,650	466,650
Total			\$ 5,300,000	2,471,159	7,771,159

Capital Loan Notes Payable

During the year ended June 30, 2005 the District sold capital loan notes to pay for additional construction costs. Details of the District's June 30, 2005 capital loan notes indebtedness are as follows:

Year Ending June 30,	Note of June 1, 2005				
	Interest Rates		Principal	Interest	Total
2006	2.85 %	\$	50,000	4,275	54,275
2007	2.85		50,000	2,850	52,850
2008	2.85		50,000	1,425	51,425
Total			\$ 150,000	8,550	158,550

Bus Lease Payable

Details of the District's June 30, 2005 bus lease indebtedness are as follows:

Year Ending June 30,	Lease of November 19, 2003				
	Interest Rates		Principal	Interest	Total
2006	3.97 %	\$	7,318	1,233	8,551
2007	3.97		7,608	943	8,551
2008	3.97		7,910	641	8,551
2009	3.97		8,225	326	8,551
Total			\$ 31,061	3,143	34,204

City Note Payable

During the year ended June 30, 2003 the District entered into an agreement with the City of Dunlap for utility relocation.

Details of the District's June 30, 2005 city note indebtedness are as follows:

Year Ending June 30,	Note of June 16, 2003				
	Interest Rates	Principal	Interest	Total	
2006	3.00 %	\$ 11,118	2,962	14,080	
2007	3.00	11,452	2,628	14,080	
2008	3.00	11,795	2,285	14,080	
2009	3.00	12,149	1,931	14,080	
2010	3.00	12,514	1,566	14,080	
2011	3.00	12,889	1,191	14,080	
2012	3.00	13,276	804	14,080	
2013	3.00	13,533	547	14,080	
Total		\$ 98,726	13,914	112,640	

**(7) 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 \$151,815, \$153,384 and \$149,441 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The Boyer Valley 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.

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-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$15,777 which is recorded as a liability as of June 30, 2005.

Boyer Valley 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$151,018 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.

**(10) Deficit Fund Balance/Net Assets**

The Special Revenue - Management Fund had a deficit undesignated fund balance of \$76,132 at June 30, 2005. The Enterprise - Day Care Fund had deficit net assets of \$33,287 at June 30, 2005.

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the support services and non-instructional functional program areas exceeded the amount budgeted.

**(12) Construction Commitment**

The District has entered into various contracts totaling \$2,859,256 for the renovation of the school. As of June 30, 2005, costs of \$2,650,226 had been incurred against the contracts. The balance of \$209,030 remaining at June 30, 2005 will be paid as work on the project progresses.

**(13) Extraordinary Items**

On September 23, 2003 voters of the East Monona Community School District voted to dissolve the District at the end of the 2003-2004 school year. Property of the District was divided between Charter Oak-Ute, West Monona, Boyer Valley and West Harrison Community School Districts.

The breakout of East Monona balances to other districts per the voted resolution of distribution are as follows:

School District	Percent	Total Received
Boyer Valley	8.16%	\$ 39,030.45
Charter Oak-Ute	35.23%	168,510.18
West Harrison	39.56%	189,221.19
West Monona	17.05%	81,552.62
	<u>100.00%</u>	<u>\$ 478,314.44</u>

Boyer Valley Community School District recorded this revenue \$39,030.45 as other financing sources on the fund financial

statements and as extraordinary items on the government-wide Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON 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	\$ 2,742,118	93,996
Intermediate sources	8,000	0
State sources	2,219,905	4,303
Federal sources	642,963	109,188
Total receipts	5,612,986	207,487
Disbursements:		
Instruction	2,996,557	0
Support services	1,784,354	0
Non-instructional programs	2,270	246,154
Other expenditures	1,784,195	0
Total disbursements	6,567,376	246,154
Deficiency of receipts under disbursements	(954,390)	(38,667)
Other financing sources, net	239,219	26
Deficiency of receipts and other financing sources under disbursements	(715,171)	(38,641)
Balance beginning of year	665,762	9,650
Balance end of year	\$ (49,409)	(28,991)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,836,114	3,284,302	3,284,302	(448,188)
8,000	0	0	8,000
2,224,208	2,281,517	2,281,517	(57,309)
752,151	1,050,000	1,050,000	(297,849)
<u>5,820,473</u>	<u>6,615,819</u>	<u>6,615,819</u>	<u>(795,346)</u>
2,996,557	3,217,832	3,217,832	221,275
1,784,354	1,678,859	1,678,859	(105,495)
248,424	230,152	230,152	(18,272)
1,784,195	1,800,407	2,300,407	516,212
<u>6,813,530</u>	<u>6,927,250</u>	<u>7,427,250</u>	<u>613,720</u>
(993,057)	(311,431)	(811,431)	181,626
239,245	0	0	(239,245)
(753,812)	(311,431)	(811,431)	(57,619)
675,412	905,632	905,632	230,220
<u>(78,400)</u>	<u>594,201</u>	<u>94,201</u>	<u>172,601</u>

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

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,612,986	496,712	6,109,698
Expenses	6,567,376	(10,024)	6,557,352
Net	(954,390)	506,736	(447,654)
Other financing sources	239,219	0	239,219
Beginning fund balances	665,762	100,764	766,526
Ending fund balances	\$ (49,409)	607,500	558,091

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 207,487	1,726	209,213
Expenses	246,154	(9,193)	236,961
Net	(38,667)	10,919	(27,748)
Other financing sources	26	44,721	44,747
Beginning retained earnings	9,650	29,466	39,116
Ending retained earnings	\$ (28,991)	40,385	56,115

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY 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 the District adopted one budget amendment decreasing budgeted disbursements by \$500,000.

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

OTHER SUPPLEMENTARY INFORMATION

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	
<b>ASSETS</b>							
Cash and pooled investments	\$ 0	51,803	168,025	21,486	241,314	0	241,314
Receivables:							
Property tax:							
Delinquent	1,423	0	1,434	0	2,857	6,449	9,306
Succeeding year	102,000	0	98,816	0	200,816	504,194	705,010
Interfund	0	0	8,551	0	8,551	53,578	62,129
Accounts	0	788	0	93	881	0	881
<b>TOTAL ASSETS</b>	<b>\$ 103,423</b>	<b>52,591</b>	<b>276,826</b>	<b>21,579</b>	<b>454,419</b>	<b>564,221</b>	<b>1,018,640</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Excess of warrants issued over bank balance	\$ 73,427	0	0	0	73,427	18,415	91,842
Interfund payable	4,128	0	67,658	0	71,786	0	71,786
Accounts payable	0	3,051	0	0	3,051	0	3,051
Deferred revenue:							
Succeeding year property tax	102,000	0	98,816	0	200,816	504,194	705,010
	179,555	3,051	166,474	0	349,080	522,609	871,689
Fund equity:							
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	41,612	41,612
Unreserved:							
Undesignated	(76,132)	49,540	110,352	21,579	105,339	0	105,339
Total fund balances	(76,132)	49,540	110,352	21,579	105,339	41,612	146,951
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 103,423</b>	<b>52,591</b>	<b>276,826</b>	<b>21,579</b>	<b>454,419</b>	<b>564,221</b>	<b>1,018,640</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY 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 Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 99,192	0	100,215	0	199,407	449,234	648,641
Other	765	140,571	3,092	7,987	152,415	0	152,415
<b>TOTAL REVENUES</b>	<b>99,957</b>	<b>140,571</b>	<b>103,307</b>	<b>7,987</b>	<b>351,822</b>	<b>449,234</b>	<b>801,056</b>
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	31,705	0	0	0	31,705	0	31,705
Other instruction	0	146,418	0	3,437	149,855	0	149,855
Support services:							
Administration services	7,994	0	0	0	7,994	0	7,994
Operation and maintenance of plant services	44,448	0	0	0	44,448	0	44,448
Student transportation	16,187	0	221,582	0	237,769	0	237,769
Non-instructional programs:							
Food service operations	1,444	0	0	0	1,444	0	1,444
Other expenditures:							
Facilities acquisition	0	0	5,870	0	5,870	0	5,870
Long-term debt:							
Principal	0	0	0	0	0	267,832	267,832
Interest and fiscal charges	0	0	0	0	0	259,056	259,056
<b>TOTAL EXPENDITURES</b>	<b>101,778</b>	<b>146,418</b>	<b>227,452</b>	<b>3,437</b>	<b>479,085</b>	<b>526,888</b>	<b>1,005,973</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,821)</b>	<b>(5,847)</b>	<b>(124,145)</b>	<b>4,550</b>	<b>(127,263)</b>	<b>(77,654)</b>	<b>(204,917)</b>
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	0	0	0	76,209	76,209
Transfer out	0	0	(67,658)	0	(67,658)	0	(67,658)
Proceeds of capital loan note	0	0	200,000	0	200,000	0	200,000
Reorganization settlements	(1,174)	659	3,411	0	2,896	0	2,896
	(1,174)	659	135,753	0	135,238	76,209	211,447
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(2,995)</b>	<b>(5,188)</b>	<b>11,608</b>	<b>4,550</b>	<b>7,975</b>	<b>(1,445)</b>	<b>6,530</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>(73,137)</b>	<b>54,728</b>	<b>98,744</b>	<b>17,029</b>	<b>97,364</b>	<b>43,057</b>	<b>140,421</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ (76,132)</b>	<b>49,540</b>	<b>110,352</b>	<b>21,579</b>	<b>105,339</b>	<b>41,612</b>	<b>146,951</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY 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
Purplite	\$ (10)	10	0	0
Annual	(2,491)	11,103	11,745	(3,133)
AP Testing	40	413	404	49
Drama	1,105	580	562	1,123
Speech	147	0	170	(23)
Cheerleaders	3,039	4,302	4,882	2,459
Vocal Music	3,183	136	123	3,196
Instrumental Music	2,616	17,880	12,963	7,533
Science Club	709	630	706	633
Entrepreneurship	5,704	6,085	7,617	4,172
FFA	1,019	8,251	7,864	1,406
FCCLA	348	2,764	218	2,894
FTA	57	0	0	57
Foreign Language	419	385	385	419
Library Club	15	977	977	15
National Honor Society	3,327	113	415	3,025
HS Student Council	8,244	14,048	18,534	3,758
Industrial Arts Club	21	0	0	21
Freshmen	91	25	118	(2)
Sophomores	300	300	209	391
Juniors	2,741	21,935	20,903	3,773
Seniors	410	1,687	1,256	841
Drill Team	5,888	7,370	7,868	5,390
General Athletics	8,708	27,396	33,352	2,752
Boys Basketball	0	973	973	0
Baseball	140	208	375	(27)
Boys Track	0	780	780	0
Softball	150	347	497	0
Girls Track	0	1,514	1,514	0
Elem Student Council	5,075	7,301	7,847	4,529
Memorial	1,819	0	0	1,819
Special Projects	8	10	0	18
Elem Music	832	948	416	1,364
MS Student Council	1,074	2,459	2,445	1,088
MS Athletics	0	300	300	0
<b>Total</b>	<b>\$ 54,728</b>	<b>141,230</b>	<b>146,418</b>	<b>49,540</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 4,286	34,746	36,480	2,552
LIABILITIES				
Due to other groups	\$ 4,286	34,746	36,480	2,552

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY 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
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,205,739	1,947,919	1,825,726	1,321,634
Tuition	224,800	411,056	220,335	268,800
Other	363,508	643,508	515,869	276,670
Intermediate sources	8,000	2,338	0	0
State sources	2,221,872	2,120,111	2,266,362	2,300,168
Federal sources	1,085,779	767,911	266,366	160,310
<b>Total</b>	<b>\$ 6,109,698</b>	<b>5,892,843</b>	<b>5,094,658</b>	<b>4,327,582</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,747,922	1,787,725	1,776,412	1,677,098
Special instruction	775,501	842,670	596,114	696,003
Other instruction	483,699	475,387	396,801	439,080
Support services:				
Student services	76,517	110,353	169,627	133,837
Instructional staff services	96,627	122,846	134,005	150,123
Administration services	735,123	535,953	514,698	482,733
Operation and maintenance of plant services	394,502	527,039	381,341	389,606
Transportation services	456,069	620,940	221,791	229,023
Other support services	4,927	0	0	0
Non-instructional programs	2,270	1,437	1,366	2,787
Other expenditures:				
Facilities acquisitions	1,106,289	4,877,188	1,700,005	17,529
Long-term debt:				
Principal	267,832	223,180	200,000	0
Interest and fiscal charges	259,056	260,177	220,215	0
AEA flow-through	151,018	153,254	165,231	166,818
<b>Total</b>	<b>\$ 6,557,352</b>	<b>10,538,149</b>	<b>6,477,606</b>	<b>4,384,637</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 05	\$ <u>10,930</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	<u>23,358</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	14,824
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	<u>72,149</u>
			<u>86,973</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1917-G	81,989
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1917-GC	<u>1,768</u>
			<u>83,757</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	<u>2,955</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	<u>3,160</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	<u>36,813</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 05	<u>674,090</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 05	<u>3,366</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>27,415</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 05	<u>7,117</u>

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY (CONTINUED):			
TITLE I ACCOUNTABILITY GRANTS			
(DATA DRIVEN LEADERSHIP)	84.348	FY 05	1,800
TOTAL			\$ 961,734

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Boyer Valley Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on 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  
Boyer Valley 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 Boyer Valley 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 August 10, 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 Boyer Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 II-A-05 is a material weakness.

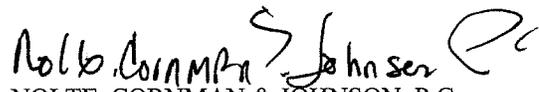
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boyer Valley 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 such 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Boyer Valley Community School District and other parties to whom Boyer Valley 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 Boyer Valley 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.

August 10, 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 on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Boyer Valley Community School District:

Compliance

We have audited the compliance of Boyer Valley Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Boyer Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Boyer Valley Community School District's management. Our responsibility is to express an opinion on Boyer Valley Community School District's compliance based on our audit.

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

In our opinion, Boyer Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Boyer Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Boyer Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Boyer Valley Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance 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, we believe item III-A-05 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boyer Valley Community School District and other parties to whom Boyer Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 10, 2005

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Individual
    - CFDA Number 84.215 - Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Boyer Valley Community School District did not qualify as a low-risk auditee.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will continue to monitor controls and implement procedures when feasible.

Conclusion - Response accepted.

II-B-05 Capital Assets - The GASB requirement for reporting, require assets be maintained and depreciated. The responsibility of maintenance of capital assets is the district's. The district has software to maintain the asset records, however, the records were not maintained.

Recommendation - The district needs to develop processes and procedures to maintain capital asset records.

Response - We will work on developing reports which will provide the necessary information. We have assigned maintenance of capital assets to two individuals.

Conclusion - Response accepted.

II-C-05 Monthly Financial Reporting - Chapter 291.7 of the Code of Iowa requires monthly financial statements to be provided to the Board of Directors. The Board currently receives monthly statements which are manually prepared using the district's accounting software information. The information provided did not disclose interfund borrowings resulting in significant differences between General and Capital Projects funds from these statements to amounts on the accounting software official records.

Recommendation - The district should utilize the software program to generate reports for the monthly Board meetings. The district should consider including in the financial information, balance sheets and revenue/expenditure reports for each fund.

Response - The manual version as well as computer version will be given to the board.

Conclusion - Response accepted.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.215 - Fund for the Improvement of Education

Federal Award Year: 2005

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will continue to monitor controls and implement procedures when feasible.

Conclusion - Response accepted.

BOYER VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-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.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the support services and non-instructional programs 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 continue to monitor, and amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-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.

IV-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.

IV-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
Pat Putnam, Board Member Mother owns of Putnam Auto Sales	Repairs	\$2,695
Ken Dunham, Board Member Owner of Dunham Hardwoods	Supplies	\$120

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Ken Dunham do not appear to represent a conflict of interest.

In accordance with Attorney General's Opinion dated November 9, 1976, the above transactions with the mother of the board member do not appear to be a conflict of interest.

IV-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.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

IV-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.

IV-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.

IV-K-05 Financial Condition - The District had a deficit undesignated fund balance of \$76,132 in the Special Revenue - Management Fund. The District also had deficit net assets of \$33,287 in the Enterprise - Day Care Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will review these funds for prior expenditures to determine if future expenditures will be similar and also review possible increase in revenues. We will prepare line item budgets for these funds and continue to monitor them, in an effort to eliminate the deficit fund balances.

Conclusion - Response accepted.