

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BONDURANT, IOWA

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

JUNE 30, 2010

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
Warren Nielsen	President	2009
Susan Ugulini	Vice President	2011
Allison Bishop	Board Member	(resigned July 2009) 2009
Michael McNichols	Board Member	(appointed July 2009) 2009
Kim Bailey	Board Member	2011
Mike Adams	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Mike Adams	President	2011
Susan Ugulini	Vice President	2011
Kim Bailey	Board Member	(resigned September 2009) 2011
Brad Pfaltzgraff	Board Member	(appointed October 2009) 2011
Michael McNichols	Board Member	2013
Kristin Swift	Board Member	2013
<u>School Officials</u>		
Peggy Vint	Superintendent	2010
Alicia Adkins	Business Director	2010
Mary Kurth	Board Secretary	(resigned January 2010) 2010
Patricia Artzer	Board Secretary	(appointed January 2010) 2010
Ahlers & Cooney P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bondurant-Farrar Community School District, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements 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 the 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 Bondurant-Farrar Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2010 on our consideration of Bondurant-Farrar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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 a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
December 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$10,316,877 in fiscal 2009 to \$10,390,679 in fiscal 2010, while General Fund expenditures also increased from \$9,321,216 in fiscal 2009 to \$9,519,552 in fiscal 2010. This resulted in an increase in the District's fund balance from a deficit of \$10,335 in fiscal 2009 to a \$916,148 positive balance in fiscal 2010. The District's solvency ratio increased from -2.03% in fiscal 2009 to 6.41% in 2010. Despite the increase in the fund balance and solvency ratio, the District is aggressively addressing financial challenges due to the opening of the new high school and general economic conditions.
- The increase in General Fund revenues was attributable in part to an increase in student enrollment and also in part to an increase in property tax and state sources. The increase in expenditures was due to the increase in negotiated salaries and benefits as well as the increase in number of students served.
- The District implemented many steps to eliminate the General Fund deficit. The District is committed to taking the steps necessary to maintain and improve the District's unrestricted fund balance in positive territory.

Overview of the Financial Statements

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

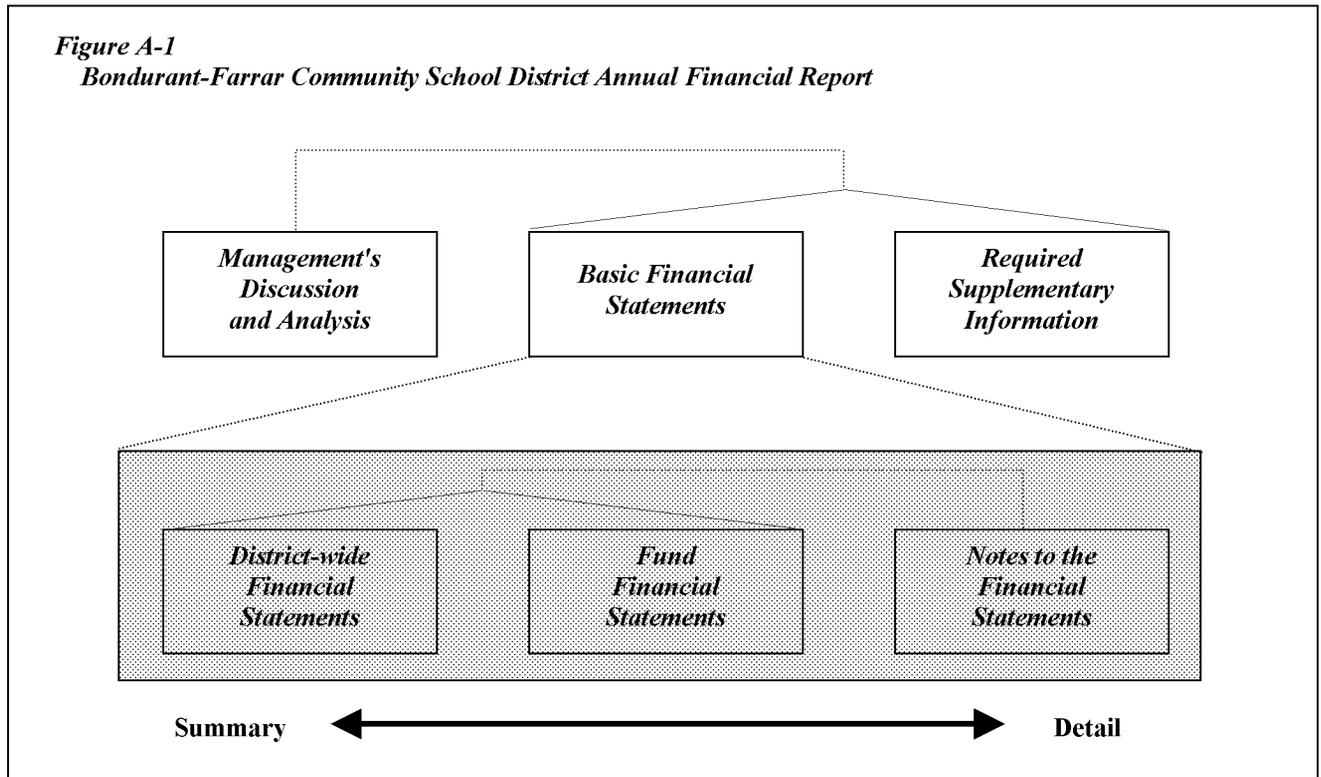


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

District-wide Statements

The District-wide 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 reporting year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two District-wide 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 two kinds of funds:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to fiscal year 2009.

	Governmental Activities		Business-type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	10,808,957	19,415,740	304,423	227,788	11,113,380	19,643,528	-43.40%
Capital assets	<u>21,090,132</u>	<u>14,732,490</u>	<u>96,911</u>	<u>95,443</u>	<u>21,187,043</u>	<u>14,827,933</u>	42.90%
Total assets	31,899,089	34,148,230	401,334	323,231	32,300,423	34,471,461	-6.30%
Long-term liabilities	12,072,335	13,150,578	0	0	12,072,335	13,150,578	-8.20%
Other liabilities	<u>5,965,207</u>	<u>9,517,086</u>	<u>44,179</u>	<u>33,966</u>	<u>6,009,386</u>	<u>9,551,052</u>	-37.10%
Total liabilities	18,037,542	22,667,664	44,179	33,966	18,081,721	22,701,630	-20.40%
Net assets:							
Invested in capital assets, net of related debt	9,468,658	1,817,490	96,911	95,443	9,565,569	1,912,933	400.00%
Restricted	3,632,568	9,905,342	0	0	3,632,568	9,905,342	-63.30%
Unrestricted	<u>760,321</u>	<u>-242,266</u>	<u>260,244</u>	<u>193,822</u>	<u>1,020,565</u>	<u>-48,444</u>	2206.70%
Total net assets	13,861,547	11,480,566	357,155	289,265	14,218,702	11,769,831	20.80%

The District's combined net assets at June 30, 2010 compared to fiscal year 2009 are listed in Figure A-3. The District's combined net assets increased 21% to \$14,218,702. The largest portion of the District's net assets is 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 represent resources that are subject to external restriction, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent 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.

Figure A-4 shows the change in net assets for the year ended June 30, 2010 compared to fiscal year 2009.

	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program Revenues:							
Charges for service	1,013,247	1,051,907	414,043	751,546	1,427,290	1,803,453	-20.90%
Operating grants, contributions and restricted interest	1,458,655	1,420,840	180,273	149,513	1,638,928	1,570,353	4.40%
Capital grants, contributions and restricted interest	116,284	0	0	0	116,284	0	
General revenues:							
Property tax	4,195,867	4,044,164	0	0	4,195,867	4,044,164	3.80%
Local option sales and service tax	978,786	1,152,854	0	0	978,786	1,152,854	-15.10%
Income surtax	202,111	0	0	0	202,111	0	
Unrestricted state grants	5,110,400	5,227,155	0	0	5,110,400	5,227,155	-2.20%
Unrestricted investment earnings	95,104	347,455	80	318	95,184	347,773	-7.26%
Other	<u>108,613</u>	<u>141,345</u>	<u>0</u>	<u>0</u>	<u>108,613</u>	<u>141,345</u>	-23.20%
Total revenues	13,279,067	13,385,720	594,396	901,377	13,873,463	14,287,097	-2.90%
Program expenses:							
Governmental activities:							
Instruction	6,522,728	6,606,771	29156	205796	6,551,884	6,812,567	-3.80%
Support services	3,105,187	2,942,206	1191	3953	3,106,378	2,946,159	5.40%
Non-instructional program	0	0	496,159	456,581	496,159	456,581	8.70%
Other expenses	<u>1,270,171</u>	<u>1,186,805</u>	<u>0</u>	<u>0</u>	<u>1,270,171</u>	<u>1,186,805</u>	7.00%
Total expenses	10,898,086	10,735,782	526,506	666,330	11,424,592	11,402,112	0.20%
Change in net assets	2,380,981	2,649,938	67,890	235,047	2,448,871	2,884,985	-15.10%

Governmental Activities

Revenues for governmental activities were \$13,279,067 and expenses were \$10,898,086.

Property tax and unrestricted state grants account for 70% of total revenue. The District’s expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

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	6,522,728	4,633,099
Support Services	3,105,187	2,982,845
Non-instructional programs	0	0
Other expenses	<u>1,270,171</u>	<u>693,956</u>
Totals:	10,898,086	8,309,900

- The cost financed by users of the District’s programs was \$1,013,247.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,574,939.
- The net cost of governmental activities was financed in part with \$4,195,867 in property tax, \$978,786 in local option sales and services tax, \$202,111 in Income Surtax, \$5,110,400 in unrestricted state grants, \$95,104 in interest income, and \$108,613 in miscellaneous sources.

Business-Type Activities

Revenues of the District’s business-type activities were \$594,396 and expenses were \$526,506. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,713,384 compared to \$9,800,259 in Fiscal Year 2009. The General Fund balance for Fiscal Year 2010 was \$916,148 compared to \$(10,335) for Fiscal Year 2009. The decrease in combined fund balances at the end of fiscal 2010 is due largely to expenditures related to the completion of the new high school.

Governmental Fund Highlights

- The district's General Fund financial position is the product of many factors. The General Fund balance improved from a deficit of \$10,335 to a positive balance of \$916,148 due in part to the commitment of District officials to continue cost control measures.
- The Capital Projects Fund balance decreased from \$8,092,503 to \$2,733,264 due to the completion of the new high school.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$147,378 to \$244,424, representing an increase of 65.85%

The Construction Class Fund net assets decreased from \$141,887 to \$112,731.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of FY10, the District did not need to amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison as presented in the required supplemental information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were \$1,052,553 less than the total budgeted receipts, a variance of 7 percent. The variance was due to a large cut in state funding sources.

Total expenditures were \$10,273,189 less than budgeted due primarily to Capital Projects Fund expenditures being less than expected and the District's budget for the General Fund. It is the District's practice to budget expenditures at or near 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 the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the District had invested \$21,187,043, net of accumulated depreciation of \$7,422,809, 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 6 to the financial statements. Depreciation expense for the year totaled \$381,111.

The original cost of the District's capital assets was \$28,609,852. Governmental activities account for \$28,289,726, leaving \$320,126 in the business-type activities.

Figure A-6 Capital Assets, net of Depreciation			
	Governmental Activities	Business Type Activities	Total District
Land	507,375	0	507,375
Construction in progress	13,030,170	0	13,030,170
Buildings	7,041,429	0	7,041,429
Improvements other than buildings	136,528	0	136,528
Furniture and equipment	374,630	96,911	471,541
Totals	21,090,132	96,911	21,187,043

Long-Term Liabilities

At June 30, 2010, the District had \$12,072,335 in general obligation and other long-term liabilities outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Notes 7 and 8 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District 2010
General obligation bonds	9,660,000
Capital loan notes	2,115,000
Early retirement	191,687
Net OPEB Liability	<u>105,648</u>
Totals:	12,072,335

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- With the District's current financial challenges, the general state of the economy is of large concern for the District as state budget cuts appear possible, shifting funding to property taxes and other revenue sources. The District will continue to explore all opportunities to reduce expenditures and/or increase revenues.
- The District continues to explore opportunities to improve its financial status, mindful that the first priority is what is in the best interest of our students.
- Due to the District's location in the metro area and continued growth, enrollment increased 8.23%, 4.74%, and 3.72% over the last three years. Current projections predict continued growth in the District which will result in increased state funding reflective of actual increases.
- Many factors continue to be a concern for the District including the fluctuation in prices of gas, diesel, and natural gas.
- With 80% of the General Fund expenditures consisting of salaries and benefits, the increasing cost of salaries, benefits, health costs, and IPERS continue to be a major concern.
- The new high school building opened for students in August 2010. The existing high school building was converted into a middle school housing grades 5-8.
- Along with the addition of a new facility, naturally comes additional expenses for the operation of the new building, additional staff, supplies, etc., which are all General Fund expenditures.

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 Patti Artzer, Business Manager, Bondurant-Farrar Community School District, 300 Garfield Street SW, Bondurant, IA 50035.

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Basic Financial Statements

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,644,201	\$ 163,654	\$ 5,807,855
Receivables:			
Property tax:			
Current year	53,427	-	53,427
Succeeding year	4,522,932	-	4,522,932
Income surtax	168,557	-	168,557
Interfund balances (note 3)	96,014	(96,014)	-
Accounts	5,355	329	5,684
Due from other governments	318,471	-	318,471
Inventories	-	236,454	236,454
Capital assets, net of accumulated depreciation (note 6)	21,090,132	96,911	21,187,043
Total assets	31,899,089	401,334	32,300,423
Liabilities			
Accounts payable	243,177	19,869	263,046
Salaries and benefits payable	1,061,423	14,706	1,076,129
Due to other governments	5,059	-	5,059
Accrued interest payable	38,191	-	38,191
Deferred revenue:			
Succeeding year property tax	4,522,932	-	4,522,932
Other	91,195	9,604	100,799
Early retirement payable	3,230	-	3,230
Long-term liabilities (notes 7 and 8):			
Portion due within one year:			
Early retirement	55,761	-	55,761
Bonds payable	350,000	-	350,000
Notes payable	245,000	-	245,000
Portion due after one year:			
Early retirement	135,926	-	135,926
Bonds payable	9,310,000	-	9,310,000
Notes payable	1,870,000	-	1,870,000
Net OPEB liability	105,648	-	105,648
Total liabilities	18,037,542	44,179	18,081,721

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 9,468,658	\$ 96,911	\$ 9,565,569
Restricted for:			
Categorical funding (note 12)	249,819	-	249,819
Physical plant and equipment levy	728,497	-	728,497
Other special revenue purposes	154,836	-	154,836
Debt service	25,326	-	25,326
Capital projects	2,474,090	-	2,474,090
Unrestricted	<u>760,321</u>	<u>260,244</u>	<u>1,020,565</u>
Total net assets	<u>\$ 13,861,547</u>	<u>\$ 357,155</u>	<u>\$ 14,218,702</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,093,193	\$ 455,671	\$ 744,154	\$ -
Special instruction	1,228,631	215,172	203,400	-
Other instruction	1,200,904	267,062	4,170	-
	<u>6,522,728</u>	<u>937,905</u>	<u>951,724</u>	<u>-</u>
Support services:				
Student services	325,020	-	34,972	-
Instructional staff services	371,742	-	9,000	-
Administration services	1,045,405	24,069	-	-
Operation and maintenance of plant services	935,296	26,154	-	-
Transportation services	427,724	25,119	3,028	-
	<u>3,105,187</u>	<u>75,342</u>	<u>47,000</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	73,808	-	-	116,284
Long-term debt interest and fiscal charges	484,721	-	-	-
AEA flowthrough	459,931	-	459,931	-
Depreciation (unallocated) *	251,711	-	-	-
	<u>1,270,171</u>	<u>-</u>	<u>459,931</u>	<u>116,284</u>
Total governmental activities	<u>10,898,086</u>	<u>1,013,247</u>	<u>1,458,655</u>	<u>116,284</u>
Business-Type Activities:				
Instruction:				
Construction class	29,156	-	-	-
Support services:				
Food service operations	1,191	-	-	-

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,893,368)	\$ -	\$ (2,893,368)
(810,059)	-	(810,059)
(929,672)	-	(929,672)
(4,633,099)	-	(4,633,099)
(290,048)	-	(290,048)
(362,742)	-	(362,742)
(1,021,336)	-	(1,021,336)
(909,142)	-	(909,142)
(399,577)	-	(399,577)
(2,982,845)	-	(2,982,845)
42,476	-	42,476
(484,721)	-	(484,721)
-	-	-
(251,711)	-	(251,711)
(693,956)	-	(693,956)
(8,309,900)	-	(8,309,900)
-	(29,156)	(29,156)
-	(1,191)	(1,191)

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 496,159	\$ 414,043	\$ 180,273	\$ -
Total business-type activities	<u>526,506</u>	<u>414,043</u>	<u>180,273</u>	<u>-</u>
Total	<u>\$ 11,424,592</u>	<u>\$ 1,427,290</u>	<u>\$ 1,638,928</u>	<u>\$ 116,284</u>

General Revenues:

- Property tax levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Income surtax
- Statewide sales and services tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ 98,157	\$ 98,157
-	67,810	67,810
<u>(8,309,900)</u>	<u>67,810</u>	<u>(8,242,090)</u>
\$ 3,059,601	\$ -	\$ 3,059,601
756,347	-	756,347
379,919	-	379,919
202,111	-	202,111
978,786	-	978,786
5,110,400	-	5,110,400
95,104	80	95,184
108,613	-	108,613
<u>10,690,881</u>	<u>80</u>	<u>10,690,961</u>
2,380,981	67,890	2,448,871
<u>11,480,566</u>	<u>289,265</u>	<u>11,769,831</u>
<u>\$ 13,861,547</u>	<u>\$ 357,155</u>	<u>\$ 14,218,702</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,858,254	\$ 54,001	\$ 1,961,152	\$ 770,796	\$ 5,644,203
Receivables:					
Property tax:					
Current year	36,782	9,516	-	7,128	53,426
Succeeding year	3,259,053	755,706	-	508,173	4,522,932
Income surtax	168,557	-	-	-	168,557
Interfund receivable (note 3)	-	-	679,082	230,897	909,979
Accounts	5,277	-	-	78	5,355
Due from other governments	156,244	-	162,226	-	318,470
Total assets	\$ 6,484,167	\$ 819,223	\$ 2,802,460	\$ 1,517,072	\$ 11,622,922
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 168,767	\$ -	\$ 69,196	\$ 5,214	\$ 243,177
Salaries and benefits payable	1,061,423	-	-	-	1,061,423
Due to other governments	5,059	-	-	-	5,059
Interfund payable (note 3)	813,965	-	-	-	813,965
Deferred revenue:					
Succeeding year property tax	3,259,053	755,706	-	508,173	4,522,932
Other	259,752	-	-	-	259,752
Early retirement payable (note 7)	-	-	-	3,230	3,230
Total liabilities	5,568,019	755,706	69,196	516,617	6,909,538
Fund balances:					
Reserved for:					
Categorical funding	249,819	-	-	-	249,819
Debt service	-	63,517	-	-	63,517
Unreserved, reported in:					
General fund	666,329	-	-	-	666,329
Special revenue funds	-	-	-	1,000,455	1,000,455
Capital projects fund	-	-	2,733,264	-	2,733,264
Total fund balances	916,148	63,517	2,733,264	1,000,455	4,713,384
Total liabilities and fund balances	\$ 6,484,167	\$ 819,223	\$ 2,802,460	\$ 1,517,072	\$ 11,622,922

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2010

Total fund balances of governmental funds	\$ 4,713,384
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,090,132
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	168,557
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.	(38,191)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(12,072,335)</u>
Net assets of governmental activities	<u><u>\$ 13,861,547</u></u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,047,298	\$ 756,072	\$ 978,786	\$ 565,168	\$ 5,347,324
Tuition	605,033	-	-	-	605,033
Other	202,090	167	117,557	305,954	625,768
State sources	5,743,262	275	-	209	5,743,746
Federal sources	792,996	-	78,684	-	871,680
Total revenues	<u>10,390,679</u>	<u>756,514</u>	<u>1,175,027</u>	<u>871,331</u>	<u>13,193,551</u>
Expenditures:					
Current:					
Instruction	6,195,991	-	-	274,355	6,470,346
Support services:					
Student services	322,503	-	-	-	322,503
Instructional staff services	382,706	-	-	-	382,706
Administration services	976,840	782	-	80,864	1,058,486
Operation and maintenance of plant services	818,928	-	-	115,245	934,173
Transportation services	362,653	-	-	85,944	448,597
	<u>2,863,630</u>	<u>782</u>	<u>-</u>	<u>282,053</u>	<u>3,146,465</u>
Other expenditures:					
Facilities acquisition	-	-	6,612,529	17,679	6,630,208
Long term debt:					
Principal	-	1,140,000	-	-	1,140,000
Interest and fiscal charges	-	488,832	-	-	488,832
AEA flowthrough	459,931	-	-	-	459,931
	<u>459,931</u>	<u>1,628,832</u>	<u>6,612,529</u>	<u>17,679</u>	<u>8,718,971</u>
Total expenditures	<u>9,519,552</u>	<u>1,629,614</u>	<u>6,612,529</u>	<u>574,087</u>	<u>18,335,782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>871,127</u>	<u>(873,100)</u>	<u>(5,437,502)</u>	<u>297,244</u>	<u>(5,142,231)</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 55,356	\$ -	\$ -	\$ -	\$ 55,356
Interfund transfers in (note 4)	-	245,488	78,263	-	323,751
Interfund transfers out (note 4)	-	(78,263)	-	(245,488)	(323,751)
Total other financing sources (uses)	<u>55,356</u>	<u>167,225</u>	<u>78,263</u>	<u>(245,488)</u>	<u>55,356</u>
Net change in fund balances	926,483	(705,875)	(5,359,239)	51,756	(5,086,875)
Fund balances beginning of year	<u>(10,335)</u>	<u>769,392</u>	<u>8,092,503</u>	<u>948,699</u>	<u>9,800,259</u>
Fund balances end of year	<u>\$ 916,148</u>	<u>\$ 63,517</u>	<u>\$ 2,733,264</u>	<u>\$ 1,000,455</u>	<u>\$ 4,713,384</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (5,086,875)

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

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

Expenditures for capital assets	\$ 6,719,409	
Capital contributions	2,300	
Depreciation expense	<u>(364,067)</u>	6,357,642

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue in the governmental
funds and is deferred. It is, however, recorded as revenue in the
Statement of Activities. 27,860

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,140,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the funds when due. In the Statement of Activities,
however, interest expense is recognized as the interest accrues, regardless
of when it is due. 4,111

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

Early retirement	43,891	
Net OPEB liability	<u>(105,648)</u>	<u>(61,757)</u>

Change in net assets of governmental activities \$ 2,380,981

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 163,654	\$ -	\$ 163,654
Accounts receivable	329	-	329
Inventories	8,852	227,602	236,454
Capital assets, net of accumulated depreciation (note 6)	96,911	-	96,911
Total assets	<u>269,746</u>	<u>227,602</u>	<u>497,348</u>
Liabilities			
Interfund payable (note 3)	-	96,014	96,014
Accounts payable	9,012	10,857	19,869
Salaries and benefits payable	14,706	-	14,706
Unearned revenue	1,604	8,000	9,604
Total liabilities	<u>25,322</u>	<u>114,871</u>	<u>140,193</u>
Net Assets			
Invested in capital assets	96,911	-	96,911
Unrestricted	147,513	112,731	260,244
Total net assets	<u>\$ 244,424</u>	<u>\$ 112,731</u>	<u>\$ 357,155</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 414,043	\$ -	\$ 414,043
Operating expenses:			
Instruction:			
Other instruction:			
Purchased services	-	18,679	18,679
Supplies	-	10,318	10,318
Other	-	159	159
	<u>-</u>	<u>29,156</u>	<u>29,156</u>
Support services:			
Operation and maintenance of plant services	1,191	-	1,191
Non-instructional programs:			
Food service operations:			
Salaries	147,058	-	147,058
Benefits	37,620	-	37,620
Purchased services	6,897	-	6,897
Supplies	287,540	-	287,540
Depreciation	17,044	-	17,044
	<u>496,159</u>	<u>-</u>	<u>496,159</u>
Total operating expenses	<u>497,350</u>	<u>29,156</u>	<u>526,506</u>
Operating loss	<u>(83,307)</u>	<u>(29,156)</u>	<u>(112,463)</u>
Non-operating revenues:			
Interest on investments	80	-	80
State sources	5,236	-	5,236
Federal sources	175,037	-	175,037
Total non-operating revenues	<u>180,353</u>	<u>-</u>	<u>180,353</u>
Change in net assets	97,046	(29,156)	67,890
Net assets beginning of year	<u>147,378</u>	<u>141,887</u>	<u>289,265</u>
Net assets end of year	<u>\$ 244,424</u>	<u>\$ 112,731</u>	<u>\$ 357,155</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 403,891	\$ -	\$ 403,891
Cash received from miscellaneous operating activities	5,070	245,360	250,430
Cash payments to employees for services	(175,175)	-	(175,175)
Cash payments to suppliers for goods or services	(262,851)	(256,510)	(519,361)
Net cash used by operating activities	<u>(29,065)</u>	<u>(11,150)</u>	<u>(40,215)</u>
Cash flows from non-capital financing activities:			
State grants received	5,236	-	5,236
Federal grants received	137,497	-	137,497
Increase in due to other funds	-	96,014	96,014
Net cash provided by non-capital financing activities	<u>142,733</u>	<u>96,014</u>	<u>238,747</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(18,512)	-	(18,512)
Cash flows from investing activities:			
Interest on investments	80	-	80
Net increase in cash and cash equivalents	95,236	84,864	180,100
Cash and cash equivalents beginning of year	<u>68,418</u>	<u>(84,864)</u>	<u>(16,446)</u>
Cash and cash equivalents end of year	<u>\$ 163,654</u>	<u>\$ -</u>	<u>\$ 163,654</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (83,307)	\$ (29,156)	\$ (112,463)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	37,540	-	37,540
Depreciation	17,044	-	17,044
(Increase) in inventories	(3,682)	(227,602)	(231,284)
Decrease in accounts receivable	1,375	237,360	238,735
Increase (decrease) in accounts payable	(1,083)	248	(835)
Increase in salaries and benefits payable	9,503	-	9,503
Increase in unearned revenue	(6,455)	8,000	1,545
Net cash used by operating activities	<u>\$ (29,065)</u>	<u>\$ (11,150)</u>	<u>\$ (40,215)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$37,540 of federal commodities.

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Bondurant and Farrar, Iowa, and agricultural territory in Polk and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

District-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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which 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 are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

Additionally, the District reports the nonmajor Construction Class Fund which is used to account for the construction of houses within the District for educational purposes.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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
Improvements other than buildings	1,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 represents 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, the succeeding year property tax receivable and unearned registration and other fees.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned registration and other fees, unearned meal revenues and unearned construction deposits.

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2010.

Fund Balances – 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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$3,632,568.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>78,667</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 583,068
Capital Projects	Enterprise, Construction Class	96,014
Special Revenue, Physical Plant and Equipment Levy	General	<u>230,897</u>
Total		<u>\$ 909,979</u>

The \$583,068 in interfund loans between the Capital Projects Fund and General Fund at June 30, 2010 is a result of previous borrowings in prior years.

The General Fund is repaying the Physical Plant and Equipment Levy for funds borrowed during prior years and for the sale of a building that was deposited into the General Fund in a prior year.

The amount due between the Enterprise Fund, Construction Class and the Capital Projects Fund is a result of pooled cash balances.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 3. Interfund Receivables/Payables (continued)

The District is aware that the interfund loans consist of loans made throughout current and prior years and realize that the interfund loans will take the District more than one fiscal year to correct in a responsible manner.

The District's Board of Directors has subsequently approved a seven year repayment plan for the interfund loans payable from the General Fund to the Capital Projects Fund and the Physical Plant and Equipment Levy Fund at a rate of 1.5% interest. These payments will begin in fiscal year 2011.

The balances between governmental funds are not included on the government-wide Statement of Net Assets. The balances between governmental and proprietary funds have been eliminated on the face of the government-wide Statement of Net Assets.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 245,488
Capital Projects	Debt Service	78,263
Total		\$ 323,751

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Capital Projects Fund to the Debt Service Fund was for debt service requirements. The transfer from the Debt Service Fund to the Capital Projects Fund was to close the remaining sinking fund balance after the retirement of the revenue bond issue.

Note 5. Iowa Schools 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program.

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. The District 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. The interest rate on the Series 2009-10A warrants was 2.50%. The District had no ISCAP activity for the year ended June 30, 2010.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 507,375	\$ -	\$ -	\$ 507,375
Construction in progress	6,473,771	6,556,399	-	13,030,170
Total capital assets not being depreciated	<u>6,981,146</u>	<u>6,556,399</u>	<u>-</u>	<u>13,537,545</u>
Capital assets being depreciated:				
Buildings	11,395,998	-	-	11,395,998
Improvements other than buildings	670,296	-	-	670,296
Furniture and equipment	2,542,328	165,310	21,751	2,685,887
Total capital assets being depreciated	<u>14,608,622</u>	<u>165,310</u>	<u>21,751</u>	<u>14,752,181</u>
Less accumulated depreciation for:				
Buildings	4,119,987	234,582	-	4,354,569
Improvements other than buildings	516,639	17,129	-	533,768
Furniture and equipment	2,220,652	112,356	21,751	2,311,257
Total accumulated depreciation	<u>6,857,278</u>	<u>364,067</u>	<u>21,751</u>	<u>7,199,594</u>
Total capital assets being depreciated, net	<u>7,751,344</u>	<u>(198,757)</u>	<u>-</u>	<u>7,552,587</u>
Governmental activities capital assets, net	<u>\$ 14,732,490</u>	<u>\$ 6,357,642</u>	<u>\$ -</u>	<u>\$ 21,090,132</u>
Business-type activities:				
Furniture and equipment	\$ 301,614	\$ 18,512	\$ -	\$ 320,126
Less accumulated depreciation	206,171	17,044	-	223,215
Business-type activities capital assets, net	<u>\$ 95,443</u>	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 96,911</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 25,672
Other	3,670

Support services:

Instructional staff	1,144
Administration	11,057
Operation and maintenance of plant services	16,867
Transportation	53,946

Unallocated depreciation

112,356
<u>251,711</u>

Total governmental activities depreciation expense

\$ 364,067
<u><u>364,067</u></u>

Business-type activities:

Food service operations	\$ 17,044
	<u><u>17,044</u></u>

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
Early retirement	\$ 235,578	\$ 17,395	\$ 61,286	\$ 191,687	\$ 55,761
General obligation bonds	9,995,000	-	335,000	9,660,000	350,000
Revenue bonds	620,000	-	620,000	-	-
Notes payable	2,300,000	-	185,000	2,115,000	245,000
Net OPEB liability	-	105,648	-	105,648	-
Total	<u>\$ 13,150,578</u>	<u>\$ 123,043</u>	<u>\$ 1,201,286</u>	<u>\$ 12,072,335</u>	<u>\$ 650,761</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to all employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District (excluding any years the employee was a substitute teacher). Employees must complete an application which is required to be approved by the Board of Education.

An employee granted early retirement will receive a stipend equal to \$3,000 less lawful deductions. An employee granted early retirement may elect to continue participation in the District's group health insurance plan subject to approval of the carrier and in accordance with Iowa law. The employee must have been a participant in the District's group health insurance plan. The District will continue to pay up to \$350 per month towards the premium for single coverage until the employee is eligible for Medicare or Medicaid for any reason, becomes covered by another employer provided group health insurance plan, dies, or fails to pay the balance of the premium due for coverage.

At June 30, 2010, the District had obligations to thirteen participants with a total liability of \$194,917. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$64,516. The \$3,230 cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Fund in the fund financial statements and as a current liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2008			Issue dated December 1, 2007			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2011	4.10 %	\$ 150,000	\$ 383,305	3.60 %	\$ 200,000	\$ 21,600	\$ 350,000	\$ 404,905
2012	4.10	170,000	377,155	3.60	200,000	14,400	370,000	391,555
2013	4.10	185,000	370,185	3.60	200,000	7,200	385,000	377,385
2014	4.10	400,000	362,600	-	-	-	400,000	362,600
2015	4.10	420,000	346,200	-	-	-	420,000	346,200
2016-2020	4.10	2,440,000	1,454,455	-	-	-	2,440,000	1,454,455
2021-2025	4.10-4.30	3,070,000	904,645	-	-	-	3,070,000	904,645
2026-2028	4.40-4.70	2,225,000	209,080	-	-	-	2,225,000	209,080
		<u>\$ 9,060,000</u>	<u>\$ 4,407,625</u>		<u>\$ 600,000</u>	<u>\$ 43,200</u>	<u>\$ 9,660,000</u>	<u>\$ 4,450,825</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2010 capital loan notes indebtedness is as follows:

Year Ending June 30,	Issue dated June 1, 2009		
	Interest Rates	Principal	Interest
2011	1.65 %	\$ 245,000	\$ 57,435
2012	2.00	250,000	53,393
2013	2.25	255,000	48,392
2014	2.60	260,000	42,655
2015	2.80	265,000	35,895
2016	3.10	270,000	28,475
2017	3.40	280,000	20,105
2018	3.65	290,000	10,585
		\$ 2,115,000	\$ 296,935

Note 8. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 175,029
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>175,029</u>
Contributions made	<u>69,381</u>
Increase in net OPEB obligation	105,648
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 105,648</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$570,289 to the medical plan. Plan members eligible for benefits contributed \$192,519, or 34% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 175,029	39.6%	\$ 105,648

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,073,328, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,073,328. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,230,224, and the ratio of the UAAL to covered payroll was 17.2%. As of June 30, 2010, there were no trust fund assets.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality and the health care cost trend.

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 (2/3 female, 1/3 male).

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized over 30 years.

Note 9. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$402,330, \$385,804, and \$358,057, respectively, equal to the required contributions for each year.

Note 10. Risk Management

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

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 11. 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 \$459,931 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Returning dropouts and dropout prevention	\$ 139,162
Talented and gifted	54,910
Professional development for model core curriculum	29,317
At-risk program	18,657
Professional development	4,058
Limited English proficiency	3,316
Home school assistance program	<u>399</u>
Total	<u>\$ 249,819</u>

Note 13. Construction Commitments

The District has entered into a contract totaling \$11,943,452 for a new high school. As of June 30, 2010, costs of \$11,396,864 had been incurred against the contracts. The balance of \$546,588 remaining at June 30, 2010 will be paid as work on the project progresses.

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Required Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 6,578,125	\$ 414,123	\$ 6,992,248	\$ 7,015,804	\$ (23,556)
Intermediate sources	-	-	-	20,000	(20,000)
State sources	5,743,746	5,236	5,748,982	6,989,696	(1,240,714)
Federal sources	871,680	175,037	1,046,717	815,000	231,717
Total revenues	13,193,551	594,396	13,787,947	14,840,500	(1,052,553)
EXPENDITURES/EXPENSES:					
Instruction	6,470,346	29,156	6,499,502	8,194,515	1,695,013
Support services	3,146,465	1,191	3,147,656	3,619,200	471,544
Non-instructional programs	-	496,159	496,159	749,719	253,560
Other expenditures	8,718,971	-	8,718,971	16,572,043	7,853,072
Total expenditures/expenses	18,335,782	526,506	18,862,288	29,135,477	10,273,189
Excess (deficiency) of revenues over (under) expenditures/ expenses	(5,142,231)	67,890	(5,074,341)	(14,294,977)	9,220,636
Other financing sources, net	55,356	-	55,356	-	55,356
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(5,086,875)	67,890	(5,018,985)	(14,294,977)	9,275,992
Balance beginning of year	9,800,259	289,265	10,089,524	13,357,610	(3,268,086)
Balance end of year	\$ 4,713,384	\$ 357,155	\$ 5,070,539	\$ (937,367)	\$ 6,007,906

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, 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 accrual basis.

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

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 1,073	\$ 1,073	0.0%	\$ 6,230	17.2%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 118,025	\$ 159,972	\$ 492,799	\$ 770,796
Receivables:				
Property tax:				
Current year	2,327	-	4,801	7,128
Succeeding year	100,000	-	408,173	508,173
Interfund receivable	-	-	230,897	230,897
Accounts	-	78	-	78
Total assets	\$ 220,352	\$ 160,050	\$ 1,136,670	\$ 1,517,072
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 5,214	\$ -	\$ 5,214
Deferred revenue:				
Succeeding year property tax	100,000	-	408,173	508,173
Early retirement payable	3,230	-	-	3,230
Total liabilities	103,230	5,214	408,173	516,617
Fund balances:				
Unreserved:				
Undesignated	117,122	154,836	728,497	1,000,455
Total liabilities and fund balances	\$ 220,352	\$ 160,050	\$ 1,136,670	\$ 1,517,072

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 185,387	\$ -	\$ 379,781	\$ 565,168
Other	38,497	267,137	320	305,954
State sources	71	-	138	209
Total revenues	223,955	267,137	380,239	871,331
Expenditures:				
Current:				
Instruction	6,709	267,646	-	274,355
Support services:				
Administration services	80,864	-	-	80,864
Operation and maintenance of plant services	115,245	-	-	115,245
Transportation services	8,056	-	77,888	85,944
Other expenditures:				
Facilities acquisition	-	-	17,679	17,679
Total expenditures	210,874	267,646	95,567	574,087
Excess (deficiency) of revenues over (under) expenditures	13,081	(509)	284,672	297,244
Other financing uses:				
Interfund transfers out	-	-	(245,488)	(245,488)
Net change in fund balances	13,081	(509)	39,184	51,756
Fund balances beginning of year	104,041	155,345	689,313	948,699
Fund balances end of year	\$ 117,122	\$ 154,836	\$ 728,497	\$ 1,000,455

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 4,122	\$ 6,275	\$ 8,569	\$ 1,828
HS Play and Musical	2,508	5,475	5,295	2,688
Speech	1,207	3,681	4,888	-
Vocal Music	3,311	939	852	3,398
Instrumental Music	4,660	9,937	11,932	2,665
Cross Country	-	425	425	-
Cheerleaders	2,603	12,560	12,511	2,652
Jayz Danz	575	387	646	316
Basketball	7,982	9,833	7,962	9,853
Volleyball	4,305	6,666	3,569	7,402
Football	12,744	21,375	16,850	17,269
Soccer	849	4,522	4,535	836
Baseball	-	7,821	7,821	-
Track	6,192	8,278	7,686	6,784
Golf	1,359	4,220	5,579	-
Wrestling	7,189	6,053	4,619	8,623
Softball	220	7,922	8,142	-
General Athletics - HS	7,480	20,141	18,516	9,105
Class of 2009	1,495	-	1,495	-
Class of 2010	2,272	-	1,409	863
Class of 2011	2,360	1,219	-	3,579
Class of 2014	-	1,490	710	780
Prom Account	-	5,112	3,617	1,495
Farrar Carnival	1,447	-	343	1,104
High School Students in Need	1,174	-	143	1,031
Jump Rope for Heart	1,951	-	-	1,951
3rd Grade Bubble Account	1,133	350	589	894
Springbrook	12,926	270	12,926	270
Yearbook - HS	4,720	7,704	8,360	4,064
Art Club	4,596	-	132	4,464
Industrial Tech - Donations	277	-	274	3
Club Hola	3,749	6,707	6,598	3,858
FCCLA	350	406	703	53
Student Council	1,971	7,781	6,269	3,483
Middle School Student Council	-	393	-	393
General Activity - HS	10,650	1,527	5,661	6,516
Middle School Vocal Music	-	801	-	801
Boys Basketball Camp	1,739	16,127	17,631	235
Volleyball Camp	976	5,062	4,086	1,952
Football Camp	8,133	23,622	25,748	6,007

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Soccer Camp	\$ 383	\$ 3,453	\$ 3,705	\$ 131
Baseball Camp	3,341	11,863	10,573	4,631
Track Camp	1,000	8,014	5,583	3,431
Golf Camp	581	65	-	646
Wrestling Camp	26	9,946	2,669	7,303
Girls Basketball Camp	947	4,098	4,175	870
Elementary Students in Need	3,918	100	-	4,018
Elementary Yearbook	2,533	3,900	-	6,433
General Activity - Elem	6,606	507	778	6,335
Football Flag	5,324	5,303	10,627	-
Softball Camp	1,461	4,547	2,185	3,823
Honor Society	-	260	260	-
	<u>\$ 155,345</u>	<u>\$ 267,137</u>	<u>\$ 267,646</u>	<u>\$ 154,836</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 5,347,324	\$ 5,170,202	\$ 4,106,306	\$ 3,971,159
Tuition	605,033	663,116	553,353	546,397
Other	625,768	867,982	504,852	550,028
Intermediate sources	-	-	17,481	-
State sources	5,743,746	6,383,061	5,743,142	5,065,455
Federal sources	871,680	251,757	129,774	140,591
Total revenues	<u>\$ 13,193,551</u>	<u>\$ 13,336,118</u>	<u>\$ 11,054,908</u>	<u>\$ 10,273,630</u>
Expenditures:				
Instruction	\$ 6,470,346	\$ 6,637,404	\$ 6,621,838	\$ 5,956,907
Support services:				
Student services	322,503	279,266	322,291	438,911
Instructional staff services	382,706	366,299	275,477	271,626
Administration services	1,058,486	1,020,673	990,542	986,305
Operation and maintenance of plant services	934,173	819,473	947,590	952,297
Transportation services	448,597	313,474	299,955	363,546
Other	-	-	-	-
Non-instructional programs	-	-	-	4,743
Other expenditures:				
Facilities acquisition	6,630,208	6,198,992	293,924	93,815
Long-term debt:				
Principal	1,140,000	895,000	770,000	795,000
Interest and fiscal charges	488,832	473,664	97,597	129,012
AEA flowthrough	459,931	403,005	364,846	330,110
Total expenditures	<u>\$ 18,335,782</u>	<u>\$ 17,407,250</u>	<u>\$ 10,984,060</u>	<u>\$ 10,322,272</u>

See accompanying independent auditor's report.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	3,527,309	\$ 3,306,713	\$ 3,161,114
	469,489	464,409	536,214
	503,821	497,776	341,675
	-	-	-
	4,367,508	3,974,938	3,808,308
	132,059	123,261	72,498
	<u>9,000,186</u>	<u>8,367,097</u>	<u>7,919,809</u>
\$	4,812,198	\$ 4,653,586	\$ 4,448,686
	311,523	286,397	247,041
	270,701	193,651	175,735
	874,871	778,394	736,568
	853,039	716,959	854,074
	329,050	204,073	218,472
	-	111,739	141,415
	17,788	-	-
	137,668	542,150	3,090
	760,000	800,000	755,000
	157,668	188,749	221,321
	281,153	262,502	256,835
	<u>8,805,659</u>	<u>8,738,200</u>	<u>8,058,237</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Foreign Language Assistance	84.293	FY 10	\$ <u>141</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	10,916
National School Lunch Program	10.555	FY 10	126,581
National School Lunch Program (non-cash)	10.555	FY 10	<u>37,540</u>
			<u>175,037</u>
U. S. Department of Education: Iowa Department of Education: Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	0720G	48,389
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	<u>3,607</u>
			<u>51,996</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>2,404</u>
Fund for the Improvement of Education	84.215	FY 10	<u>78,684</u>
Advanced Placement Program	84.330	FY 10	<u>112</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>13,301</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>8,418</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>553,677</u>
Heartland Area Education Agency: Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	59,091
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	32,315
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>51,504</u>
			<u>142,910</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Heartland Area Education Agency (continued):			
English Language Acquisition Grants	84.365	FY 10	\$ <u>575</u>
Urbandale Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>6,090</u>
			<u>1,033,204</u>
Total			\$ <u><u>1,033,345</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Bondurant-Farrar Community School District and is presented on 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.

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
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over financial reporting during the course of our audit.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10, II-B-10 and II-C-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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 Bondurant-Farrar Community School District's operations for the year ended June 30, 2010 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.

Bondurant-Farrar Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

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

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

Oskaloosa, Iowa
December 27, 2010

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
Bondurant-Farrar Community School District:

Compliance

We have audited the compliance of Bondurant-Farrar 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, 2010. Bondurant-Farrar 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 grant agreements applicable to each of its major federal programs is the responsibility of Bondurant-Farrar Community School District's management. Our responsibility is to express an opinion on Bondurant-Farrar 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 Bondurant-Farrar 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 Bondurant-Farrar Community School District's compliance with those requirements.

In our opinion, Bondurant-Farrar 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, 2010.

Internal Control Over Compliance

The management of Bondurant-Farrar Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bondurant-Farrar 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over compliance during the course of our audit.

Bondurant-Farrar Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

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

Oskaloosa, Iowa
December 27, 2010

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no 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:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bondurant-Farrar Community School District did not qualify as a low-risk auditee.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. A person independent of the bank reconciliation process does not open the mail and prepare a listing of the checks received and later compare the listing to the bank statement. Additionally, no one is reviewing the bank reconciliation.

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 – Due to the limited number of staff in the business office, the segregation of duties is limited. The District will continue to review the processes and implement controls when possible.

Conclusion – Response accepted.

II-B-10 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that some purchase orders from the Activity Fund were being completed after the product had been ordered.

Recommendation – The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding encumbrance, which represents the amount as an obligation against the budget. When monitoring actual expenditures, it can be helpful to know the outstanding orders which will be subsequently paid. This allows the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response – The District will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-C-10 Employee Flexible Benefits Plan – We noted in our testing of the bank reconciliations that the District has an account for monies flexed out of employee pay under an IRS Section 125 flexible benefit plan that is not included on the District’s financial records.

Recommendation – Any monies the District holds as flexible benefits for employees should be properly included in the District’s financial system and accounted for through an Internal Service Fund. This protects the underlying asset and insures additional scrutiny through Board of Education periodic financial statement review and approval of all disbursements.

Response – We will properly record these funds through an Internal Service Fund beginning in fiscal year 2011.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-10 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-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-10 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-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2009 was overstated by 1 student. The District’s certified enrollment count was overstated due to the inclusion of a student who did not attend school in fiscal year 2010.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management.
- Conclusion – Response accepted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments – 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 were noted.
- IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$ 484,905
Statewide sales and services tax revenue	978,786
Interest and other	563
Expenditures/transfers out:	
School infrastructure:	
Equipment	<u>(20,636)</u>
Ending balance	<u>\$ 1,443,618</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.78573	\$ 611,939
Physical plant and equipment levy	1.67000	366,847

IV-M-10 Student Activity Fund – We noted certain improprieties in the funds handled by the Special Revenue, Student Activity Fund during our audit. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund should not be used as a clearing account for any other fund. Monies in this fund should be used to support only the cocurricular program defined in Iowa Department of Education administrative rules (298A.8).

Recommendation – The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). There is a high school general activity pop account. This account is not a student run organization and does not appear to be cocurricular in nature and should, therefore, be run through the General Fund. The high school General Activity account also had some in and out transactions for After Prom. These transactions should have been handled by the After Prom organization or run through an agency fund.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-10 Student Activity Fund (continued)

The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be received and expended.

Response – The District will continue to review Activity Fund procedures and implement appropriate changes necessary to comply.

Conclusion – Response accepted.

IV-N-10 Interfund Loans – We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2010, the General Fund owes the Physical Plant and Equipment Levy Fund \$230,897 and the Capital Projects Fund \$583,068. On September 15, 2009, the District's Board of Directors approved a seven year plan for the General Fund to repay the amounts due to the Physical Plant and Equipment Levy Fund and the Capital Projects Fund at a rate of 1.5% interest.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation – Although the District has a plan for repayment, it appears that to comply with the declaratory ruling the District should issue anticipatory warrants to repay the interfund loans.

Response – The District is aware of the declaratory order issued by the Department of Education, but the District feels that with the financial condition of the District, issuing anticipatory warrants for the General Fund to repay the interfund loans to the Capital Projects Fund and Physical Plant and Equipment Levy Fund would impose unnecessary issuance and origination costs to the District.

Conclusion – Response acknowledged. However, the original loans could be repaid prior to the date required by the Department of Education declaratory order and then a new loan could be originated by the Board of Education later if funds are still needed for cash flow purposes.