

BELLE PLAINE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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Belle Plaine Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Marie Stratford	President	2003
Tom Danker	Vice President	2003
Mike Bachelder	Board Member	2004
Joyce Livermore	Board Member	2004
Ted Novak	Board Member	2005
Board of Education (After September 2003 Election)		
Ted Novak	President	2005
Marie Stratford	Vice President	2006
Tom Danker	Board Member	2006
Mike Bachelder	Board Member	2005
Joyce Livermore	Board Member	2004
School Officials		
Mike Milligan	Superintendent	2004
Charmaine Wickwire	District Secretary/Treasurer and Business Manager	2004
Gruhn Law Office	Attorney	2004

Belle Plaine Community School District

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Mike Milligan	Superintendent	2004
Charmaine Wickwire	District Secretary/Treasurer and Business Manager	2004
Gruhn Law Office	Attorney	2004

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Belle Plaine Community School District:

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

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

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

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Belle Plaine Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments; Statement No. 37, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule- Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2004 on our consideration of the Belle Plaine Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

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laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Belle Plaine Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,006,174 in fiscal 2003 to \$5,001,342 in fiscal 2004, while General Fund expenditures increased from \$4,754,126 in fiscal 2003 to \$5,022,050 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$277,712 in fiscal 2003 to a balance of \$242,918 in fiscal 2004, a 12.5% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the decrease in the District's General Fund revenue for fiscal 2004.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Belle Plaine 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 Belle Plaine 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 Belle Plaine Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

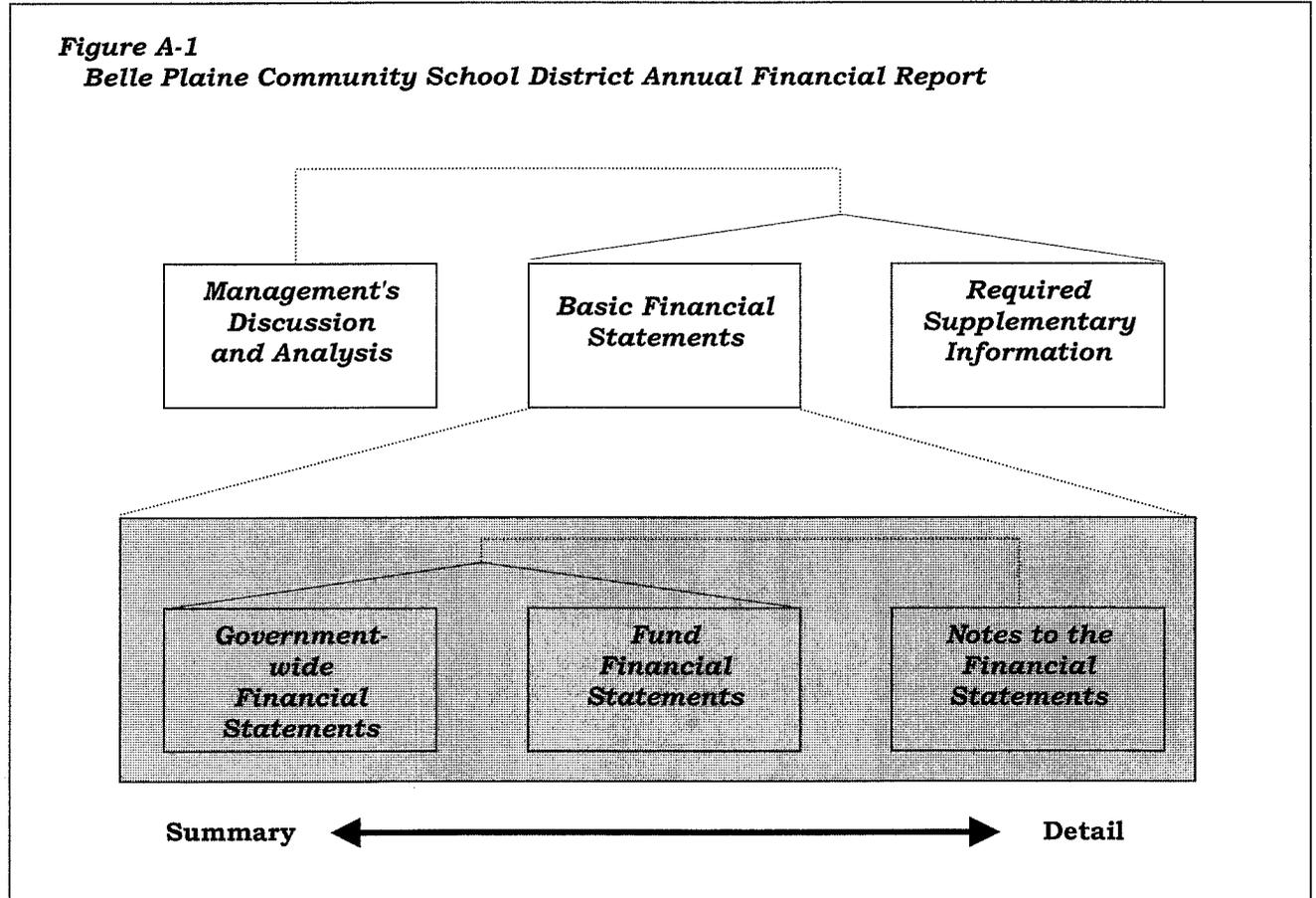


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities	Business-type Activities	Total School District
	2004	2004	2004
Current and other assets	\$ 2,400,536	15,396	2,415,932
Capital assets	922,317	20,843	943,160
Total assets	<u>3,322,853</u>	<u>36,239</u>	<u>3,359,092</u>
Long-term obligations	4,844	0	4,844
Other liabilities	1,792,358	1,805	1,794,163
Total liabilities	<u>1,797,202</u>	<u>1,805</u>	<u>1,799,007</u>
Net assets:			
Invested in capital assets, net of related debt	922,317	20,843	943,160
Restricted	234,348	0	234,348
Unrestricted	368,986	13,591	382,577
Total net assets	<u>\$ 1,525,651</u>	<u>34,434</u>	<u>1,560,085</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 447,308	158,795	606,103
Operating grants and contributions and restricted interest	514,459	101,765	616,224
General revenues:			
Local tax	1,888,272	0	1,888,272
Local option sales and service tax	6,451	0	6,451
Unrestricted state grants	2,552,653	0	2,552,653
Other	(8,016)	14,128	6,112
Total revenues	<u>5,401,127</u>	<u>274,688</u>	<u>5,675,815</u>
Program expenses:			
Governmental activities:			
Instructional	3,671,379	0	3,671,379
Support services	1,446,123	0	1,446,123
Non-instructional programs	0	268,327	268,327
Other expenses	295,925	0	295,925
Total expenses	<u>5,413,427</u>	<u>268,327</u>	<u>5,681,754</u>
Changes in net assets	(12,300)	6,361	(5,939)
Net assets beginning of year	<u>1,537,951</u>	<u>28,073</u>	<u>1,566,024</u>
Net assets end of year	<u>\$ 1,525,651</u>	<u>34,434</u>	<u>1,560,085</u>

Property tax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,401,127 and expenses were \$5,413,427. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,671,379	2,914,803
Support services	1,446,123	1,446,123
Other expenses	295,925	90,734
Totals	<u>\$ 5,413,427</u>	<u>4,451,660</u>

- The cost financed by users of the District's programs was \$447,308.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$514,459.
 - The net cost of governmental activities was financed with \$1,888,272 in local tax, \$6,451 in local option sales and service tax, \$2,552,653 in unrestricted state grants, and \$6,070 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$274,688 and expenses were \$268,327. 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.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$441,256, compared to last year's ending fund balances of \$452,366.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in state grants resulted in a decrease in revenues.
- The Management, and Activity Fund combined balance increased from \$105,692 in 2003, to \$151,678 in 2004, due to the increase in revenues in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$67,086 to \$38,333, due to a decrease in total revenues and an increase in total expenditures for the year.
- The Capital Projects fund balance increased from \$1,876, to \$8,327, due to an increase in local option sales and service tax during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$28,073 at June 30, 2003 to \$34,434 at June 30, 2004, representing a decrease of approximately 18%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$209,053 less than budgeted revenues, a variance of 3.5%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$943,160, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.12% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$118,028.

The original cost of the District's capital assets was \$3,217,729. Governmental funds account for \$3,145,388 with the remainder of \$72,341 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$155,870 at June 30, 2004, compared to \$188,952 reported at June 30, 2003. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type	Total
	Activities		Activities	School District
	2004		2004	2004
Land	\$	37,582	0	37,582
Buildings		678,993	0	678,993
Improvements other than buildings		70,715	0	70,715
Machinery and equipment		135,027	20,843	155,870
Total	\$	922,317	20,843	943,160

Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$4,844 in early retirement. This represents a decrease of approximately 30.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total	
	2004	2003	Change	
Early retirement	\$	4,844	6,997	-30.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.

-
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charmaine Wickwire, District Board Secretary/Business Manager, Belle Plaine Community School District, 1303 2nd Avenue, Belle Plaine, Iowa, 52208.

BASIC FINANCIAL STATEMENTS

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 442,677	4,589	447,266
Receivables:			
Property tax:			
Delinquent	44,968	0	44,968
Succeeding year	1,718,202	0	1,718,202
Income surtax	166,922	0	166,922
Accounts	27,767	0	27,767
Inventories	0	10,807	10,807
Capital assets, net of accumulated depreciation (Note 4)	922,317	20,843	943,160
TOTAL ASSETS	3,322,853	36,239	3,359,092
LIABILITIES			
Accounts payable	47,482	0	47,482
Salaries and benefits payable	26,674	0	26,674
Deferred revenue:			
Succeeding year property tax	1,718,202	0	1,718,202
Other	0	1,805	1,805
Long-term liabilities (Note 5):			
Portion due within one year:			
Early retirement	4,844	0	4,844
TOTAL LIABILITIES	1,797,202	1,805	1,799,007
NET ASSETS			
Investment in capital assets, net of related debt	922,317	20,843	943,160
Restricted for:			
Early intervention	25,717	0	25,717
Talented and gifted	14,155	0	14,155
Teacher quality	982	0	982
Physical plant & equipment levy	38,333	0	38,333
Management levy	64,158	0	64,158
Capital projects	8,327	0	8,327
Other special revenue purposes	82,676	0	82,676
Unrestricted	368,986	13,591	382,577
TOTAL NET ASSETS	\$ 1,525,651	34,434	1,560,085

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,486,806	179,353	309,268
Special instruction	745,219	7,764	0
Other instruction	439,354	260,191	0
	<u>3,671,379</u>	<u>447,308</u>	<u>309,268</u>
Support services:			
Student services	93,078	0	0
Instructional staff services	102,328	0	0
Administration services	655,907	0	0
Operation and maintenance of plant services	435,178	0	0
Transportation services	159,632	0	0
	<u>1,446,123</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	30,788	0	0
AEA flowthrough	205,191	0	205,191
Depreciation(unallocated) *	59,946	0	0
	<u>295,925</u>	<u>0</u>	<u>205,191</u>
Total governmental activities	5,413,427	447,308	514,459
Business-Type activities:			
Non-instructional programs:			
Nutrition services	268,327	158,795	101,765
Total business-type activities	<u>268,327</u>	<u>158,795</u>	<u>101,765</u>
Total	\$ <u>5,681,754</u>	<u>606,103</u>	<u>616,224</u>

General Revenues:

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

Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 9)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,998,185)	0	(1,998,185)
(737,455)	0	(737,455)
(179,163)	0	(179,163)
(2,914,803)	0	(2,914,803)
(93,078)	0	(93,078)
(102,328)	0	(102,328)
(655,907)	0	(655,907)
(435,178)	0	(435,178)
(159,632)	0	(159,632)
(1,446,123)	0	(1,446,123)
(30,788)	0	(30,788)
0	0	0
(59,946)	0	(59,946)
(90,734)	0	(90,734)
(4,451,660)	0	(4,451,660)
0	(7,767)	(7,767)
0	(7,767)	(7,767)
(4,451,660)	(7,767)	(4,459,427)
\$ 1,782,719	0	1,782,719
105,553	0	105,553
6,451	0	6,451
2,552,653	0	2,552,653
6,070	42	6,112
(14,086)	14,086	0
4,439,360	14,128	4,453,488
(12,300)	6,361	(5,939)
1,537,951	28,073	1,566,024
\$ 1,525,651	34,434	1,560,085

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Manage- ment	Student Activity	Other Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 249,143	66,408	82,676	44,450	442,677
Receivables:					
Property tax					
Delinquent	40,164	2,594	0	2,210	44,968
Succeeding year	1,533,723	100,000	0	84,479	1,718,202
Income surtax	148,375	0	0	18,547	166,922
Accounts	27,767	0	0	0	27,767
TOTAL ASSETS	\$ 1,999,172	169,002	82,676	149,686	2,400,536
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 47,482	0	0	0	47,482
Salaries and benefits payable	26,674	0	0	0	26,674
Deferred revenue:					
Succeeding year property tax	1,533,723	100,000	0	84,479	1,718,202
Income surtax	148,375	0	0	18,547	166,922
Total liabilities	1,756,254	100,000	0	103,026	1,959,280
Fund balances:					
Reserved for:					
Early intervention	25,717	0	0	0	25,717
Talented and gifted	14,155	0	0	0	14,155
Teacher quality	982	0	0	0	982
Unreserved:					
Undesignated	202,064	69,002	82,676	46,660	400,402
Total fund balances	242,918	69,002	82,676	46,660	441,256
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,999,172	169,002	82,676	149,686	2,400,536

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16)	\$ 441,256
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	922,317
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	166,922
Long-term liabilities, including early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(4,844)
Net assets of governmental activities (page 13)	\$ 1,525,651

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Manage- ment	Student Activity	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Property tax	\$ 1,701,752	99,514	0	105,553	1,906,819
LOSST	0	0	0	6,451	6,451
Tuition	187,117	0	0	0	187,117
Other	45,556	7,632	212,901	172	266,261
State sources	2,947,856	105	0	90	2,948,051
Federal sources	119,061	0	0	0	119,061
Total revenues	5,001,342	107,251	212,901	112,266	5,433,760
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,462,224	0	0	0	2,462,224
Special instruction	744,499	0	0	0	744,499
Other instruction	233,244	0	198,596	0	431,840
	3,439,967	0	198,596	0	3,638,563
Support services:					
Student services	92,838	0	0	0	92,838
Instructional staff services	101,460	0	0	0	101,460
Administration services	576,461	75,570	0	0	652,031
Operation and maintenance of plant services	436,307	0	0	0	436,307
Transportation services	169,826	0	0	0	169,826
	1,376,892	75,570	0	0	1,452,462
Other expenditures:					
Facilities acquisitions	0	0	0	134,568	134,568
AEA flowthrough	205,191	0	0	0	205,191
	205,191	0	0	134,568	339,759
Total expenditures	5,022,050	75,570	198,596	134,568	5,430,784
Excess(deficiency) of revenues over (under expenditures)	(20,708)	31,681	14,305	(22,302)	2,976
Other financing uses:					
Transfer out	(14,086)	0	0	0	(14,086)
Net change in fund balances	(34,794)	31,681	14,305	(22,302)	(11,110)
Fund balance beginning of year	277,712	37,321	68,371	68,962	452,366
Fund balance end of year	\$ 242,918	69,002	82,676	46,660	441,256

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE 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, 2004

Net change in fund balances - total governmental funds (page 18) \$ (11,110)

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

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

Capital outlays	\$ 128,780	
Depreciation expense	(113,576)	15,204

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 fund.

Early retirement		2,153
------------------	--	-------

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

(18,547)

Changes in net assets of governmental activities (page 15)

\$ (12,300)

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2004

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 4,589
Inventories	10,807
Capital assets, net of accumulated depreciation	20,843
TOTAL ASSETS	<u>36,239</u>
LIABILITIES	
Deferred revenues	<u>1,805</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,843
Unrestricted	13,591
TOTAL NET ASSETS	<u>\$ 34,434</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 149,964
Adults	6,855
Miscellaneous	1,976
TOTAL OPERATING REVENUES	158,795
OPERATING EXPENSES:	
Food service operations:	
Salaries	106,842
Benefits	18,144
Services	2,883
Supplies	136,006
Depreciation	4,452
TOTAL OPERATING EXPENSES	268,327
OPERATING LOSS	(109,532)
NON-OPERATING REVENUES:	
Interest	42
State sources	3,411
Federal sources	98,354
TOTAL NON-OPERATING REVENUES	101,807
Net loss	(7,725)
OTHER FINANCING SOURCES:	
Transfers in	14,086
Change in net assets	6,361
Net assets beginning of year	28,073
Net assets end of year	\$ 34,434

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 156,909
Cash received from miscellaneous operating activities	1,976
Cash payments to employees for services	(125,031)
Cash payments to suppliers for goods or services	(117,250)
Net cash used in operating activities	(83,396)
Cash flows from non-capital financing activities:	
State grants received	3,411
Federal grants received	76,764
Net cash provided by non-capital financing activities	80,175
Cash flows from investing activities:	
Interest on investments	42
Net cash provided by investing activities	42
Net decrease in cash and cash equivalents	(3,179)
Cash and cash equivalents at beginning of year	7,768
Cash and cash equivalents at end of year	\$ 4,589
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (109,532)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,590
Depreciation	4,452
Decrease in inventories	82
Decrease in accounts payable	(33)
Decrease in salaries and benefits payable	(45)
Increase in deferred revenue	90
Net cash used in operating activities	\$ (83,396)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 4,589
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2004, the District received Federal commodities valued at \$21,590.

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) Summary of Significant Accounting Policies

The Belle Plaine Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Belle Plaine, Iowa, and the predominate agricultural territory in Poweshiek, Benton, Iowa and Tama 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, Belle Plaine Community School District has included all funds, organizations, Account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Belle Plaine Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue - Management Fund is utilized to account for the payment of property insurance and early retirement benefits.

The Special Revenue - Activity Fund is utilized to account for the resources used in student driven accounts.

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments as of June 30, 2004.

(3) **Transfers**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nutrition	General	\$ 14,086

(4) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 83,117	0	10,776	72,341
Less accumulated depreciation	57,822	4,452	10,776	51,498
Business-type activities capital assets, net	\$ 25,295	(4,452)	0	20,843

	Balance Beginning of Year, as restated (Note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,582	0	0	37,582
Total capital assets not being depreciated	37,582	0	0	37,582
Capital assets being depreciated:				
Buildings	1,847,871	92,169	0	1,940,040
Land improvements	125,324	11,611	0	136,935
Machinery and equipment	1,005,831	25,000	0	1,030,831
Total capital assets being depreciated	2,979,026	128,780	0	3,107,806
Less accumulated depreciation for:				
Buildings	1,207,122	53,925	0	1,261,047
Land improvements	60,199	6,021	0	66,220
Machinery and equipment	842,174	53,630	0	895,804
Total accumulated depreciation	2,109,495	113,576	0	2,223,071
Total capital assets being depreciated, net	869,531	15,204	0	884,735
Governmental activities capital assets, net	\$ 907,113	15,204	0	922,317

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 24,582
Special	720
Other	7,514
Support services:	
Student services	240
Instructional staff services	868
Administration services	3,876
Operation and maintenance of plant services	1,024
Transportation	14,806
	53,630
Unallocated depreciation	59,946
Total governmental activities depreciation expense	\$ 113,576
Business-type activities:	
Food services	\$ 4,452

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 6,997	4,844	6,997	4,844	4,844

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2004 totaled \$6,997.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$196,951, \$192,795, and \$197,215 respectively, equal to the required contributions for each year.

(7) Risk Management

Belle Plaine 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.

(8) 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 \$205,191 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No.6,
Recognition and Measurement of Certain Liabilities and

Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No.38, Certain Financial Statement Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statement create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

Beginning capital assets for governmental activities of \$3,571,433 were restated to \$3,016,608. The restatement primarily removed assets below the District's capitalization threshold.

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

	Fund				Total
	General	Manage- ment	Student Activity	Other Governmental Funds	
Net assets, June 30, 2003, as previously reported \$	277,712	37,321	68,371	68,962	452,366
GASB Interpretation 6 adjustments	0	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	\$ 277,712	37,321	68,371	68,962	452,366
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$2,109,495					907,113
Income surtax					185,469
Long-term liabilities:					
Early retirement					(6,997)
Net assets July 1, 2003, as restated					\$ 1,537,951

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,361,608	158,927
State sources	2,949,051	3,411
Federal sources	115,035	98,354
Total receipts	5,425,694	260,692
Disbursements:		
Instruction	3,584,156	0
Support services	1,491,992	0
Non-instructional programs	0	263,871
Other expenditures	341,206	0
Total disbursements	5,417,354	263,871
Excess(deficiency) of receipts over(under) disbursements	8,340	(3,179)
Other financing sources, net	(14,086)	14,086
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(5,746)	10,907
Balance beginning of year	448,423	(6,318)
Balance end of year	\$ 442,677	4,589

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,520,535	2,520,486	2,520,486	49
2,952,462	3,134,953	3,134,953	(182,491)
213,389	240,000	240,000	(26,611)
5,686,386	5,895,439	5,895,439	(209,053)
3,584,156	3,851,813	3,851,813	267,657
1,491,992	1,520,000	1,520,000	28,008
263,871	300,000	300,000	36,129
341,206	357,934	357,934	16,728
5,681,225	6,029,747	6,029,747	348,522
5,161	(134,308)	(134,308)	139,469
0	0	0	0
5,161	(134,308)	(134,308)	139,469
442,105	145,901	145,901	296,204
447,266	11,593	11,593	435,673

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

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 5,425,694	8,066	5,433,760
Expenses	5,417,354	13,430	5,430,784
Net	8,340	(5,364)	2,976
Other financing sources, net	(14,086)	0	(14,086)
Beginning fund balances	448,423	3,943	452,366
Ending fund balances	\$ 442,677	(1,421)	441,256

	Proprietary Fund Type		
	Cash Basis	Enterprise Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 260,692	(90)	260,602
Expenses	263,871	4,456	268,327
Net	(3,179)	(4,546)	(7,725)
Other financing sources, net	14,086	0	14,086
Beginning retained earnings	(6,318)	34,391	28,073
Ending retained earnings	\$ 4,589	29,845	34,434

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

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

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

OTHER SUPPLEMENTAL INFORMATION

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Physical Plant and Equipment Levy	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 36,123	8,327	44,450
Receivables:			
Property tax:			
Current year delinquent	2,210	0	2,210
Succeeding year	84,479	0	84,479
Income surtax	18,547	0	18,547
TOTAL ASSETS	\$ 141,359	8,327	149,686
LIABILITIES AND FUND EQUITY			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 84,479	0	84,479
Income surtax	18,547	0	18,547
	103,026	0	103,026
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	38,333	8,327	46,660
Total fund balances	38,333	8,327	46,660
TOTAL LIABILITIES AND FUND EQUITY	\$ 141,359	8,327	149,686

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Physical Plant & Equipment Levy	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 105,553	0	105,553
LOSST	0	6,451	6,451
Other	172	0	172
State sources	90	0	90
TOTAL REVENUES	105,815	6,451	112,266
EXPENDITURES:			
Current:			
Other expenditures:			
Facility acquisition	134,568	0	134,568
TOTAL EXPENDITURES	134,568	0	134,568
Excess(deficiency) of revenues over(under) expenditures	(28,753)	6,451	(22,302)
Fund balance beginning of year	67,086	1,876	68,962
Fund balance end of year	\$ 38,333	8,327	46,660

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School play	\$ 716	964	750	930
Speech	95	175	175	95
Vocal	97	75	47	125
Band	(220)	250	(96)	126
Activities	7,856	31,136	32,458	6,534
Girls track	111	1,704	1,346	469
Boys track	252	2,745	2,374	623
Boys cross country	337	0	0	337
Girls cross country	549	570	519	600
Boys/girls golf	370	2,628	2,578	420
Boys basketball	4,436	11,972	12,301	4,107
Girls basketball	788	2,328	2,459	657
Football	60	10,301	8,899	1,462
Baseball	474	721	78	1,117
Wrestling	(1,248)	2,061	774	39
Volleyball	(402)	3,657	1,854	1,401
Softball	323	5,325	4,225	1,423
K-8 art club	268	1,195	1,181	282
Science club	562	362	362	562
HS student council	3,802	7,749	5,674	5,877
Annual	(2,888)	8,384	5,338	158
Close up	6,452	32,937	29,752	9,637
Peer helpers	149	0	0	149
Spanish club	512	5,246	3,274	2,484
Cheerleading	764	4,573	5,337	0
FFA	15,232	24,543	21,217	18,558
30 days of fitness	255	200	131	324
Dance/drill team	783	75	175	683
Job olympics	21	0	0	21
JH student council	12,234	13,897	20,700	5,431
Camp courageous	974	1,954	1,680	1,248
6th grade	5,984	11,350	11,088	6,246
Elementary student council	1,985	330	433	1,882
Class of 04	1,136	3,888	3,503	1,521
Class of 05	991	5,297	3,232	3,056
Class of 06	1,148	2,257	1,017	2,388
Class of 07	0	3,017	1,400	1,617
Activity ticket	608	8,060	8,592	76
Projects	2,744	0	2,744	0
Playground equipment	61	0	50	11
Interest	0	975	975	0
Total	\$ 68,371	212,901	198,596	82,676

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,913,270	1,753,088	1,317,133	1,380,418
Tuition	187,117	156,689	127,590	116,426
Other	266,261	263,428	222,242	326,331
State sources	2,948,051	3,135,665	3,160,198	3,032,645
Federal sources	119,061	122,983	107,281	112,242
Total	\$ 5,433,760	5,431,853	4,934,444	4,968,062
Expenditures:				
Instruction:				
Regular instruction	\$ 2,462,224	2,397,684	2,456,145	2,188,560
Special instruction	744,499	655,026	634,892	575,919
Other instruction	431,840	427,288	428,206	452,081
Support services:				
Student services	92,838	93,782	159,917	151,759
Instructional staff services	101,460	103,931	96,170	97,777
Administration services	652,031	553,437	581,005	762,884
Operation and maintenance of plant services	436,307	423,422	344,512	445,276
Transportation services	169,826	155,836	202,656	162,874
Other expenditures:				
Facilities acquisitions	134,568	50,830	32,739	94,682
Long Term Debt:				
AEA flow-through	205,191	221,230	224,592	226,296
Total	\$ 5,430,784	5,082,466	5,160,834	5,158,108

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Belle Plaine Community School District:

We have audited the financial statements of Belle Plaine Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Belle Plaine 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 grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

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

Internal Control Over Financial Reporting

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

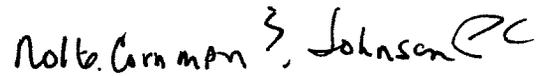
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved, except I-A-04.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Belle Plaine 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.

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

October 15, 2004

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Melissa Spading, Secretary Spouse owns Cars 'R' Uss	Bus repairs	\$1,127

In accordance with Attorney General opinion dated November 9, 1976, the transactions with the employees spouse does not appear to be a conflict of interest .

- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.