

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

JUNE 30, 2004

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**BELLEVUE
COMMUNITY
SCHOOL
DISTRICT**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

OFFICIALS

Name -----	Title -----	Term Expires -----
Board of Education (Before September, 2003 Election)		
Allan Hoffmann	President	2003
Gary Griebel	President Pro Tem	2003
Ron Kilburg	Board Member	2005
Eunice Schladetzky	Board Member	2005
Randy Blake	Board Member	2004
Board of Education (After September, 2003 Election)		
Gary Griebel	President	2006
Eunice Schladetzky	President Pro Tem	2005
Ron Kilburg	Board Member	2005
Randy Blake	Board Member	2004
Curt Hammond	Board Member	2006
School Officials		
Virgil Murray	Superintendent	2004
Penny Medinger	Board Secretary/Treasurer	2004
Ahlers & Cooney, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bellevue Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Bellevue Community School District as of and for the year ended June 30, 2004, 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 United States of America 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, the business type activities, each major fund and the aggregate remaining fund information of Bellevue Community School District at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with United States of America generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Bellevue Community School District adopted Governmental Auditing 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 a report dated September 10, 2004 on our consideration of the Bellevue Community School District' s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bellevue Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 10, 2004

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bellevue 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.

Financial Highlights

- General Fund revenues increased from \$4,875,542 in fiscal 2003 to \$4,915,264 in fiscal 2004, for a total increase of \$39,722. Revenues from property tax increased \$44,000, revenues from donations increased \$12,000, revenues from federal sources increased \$47,000, while revenues from state sources decreased \$61,000.
- General Fund expenditures increased from \$4,804,650 in fiscal 2003 to \$4,901,567 in fiscal 2004, a total increase of \$96,917. Expenditures for salaries increased \$66,000, expenditures for benefits increased \$79,000, while expenditures for equipment decreased \$50,000.
- The District's General Fund balance increased from \$1,265,115 in fiscal 2003 to \$1,278,812 in fiscal 2004, a 1.1 percent increase from the prior year.
- The State of Iowa imposed a 2.5% reduction in State Foundation Aid and Categorical Aid mid year, which reduced state revenues by \$58,155 in the General fund. The District responded to the reduction with a combination of reducing expenditures and using a portion of fund balance. In late June, the State rescinded 10% of the 2.5% reduction. The district was reimbursed \$5,815 of the money deducted from state aid.
- Besides implementing these new reporting standards, the district switched from cash based budgeting to GAAP based budgeting in FY04.
- The Capital Projects fund contains a restricted balance of \$58,076, which are donations from the community for the future all-weather track at the high school. The Capital Projects fund also contains a restricted balance of \$80,935 for the bond reserve and sinking fund for the middle school addition.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this Section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide both short-term and long-term information about the District's overall financial status.
- The Fund Financial Statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The governmental funds statements explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending. The proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the Statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that 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 governmental funds.

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

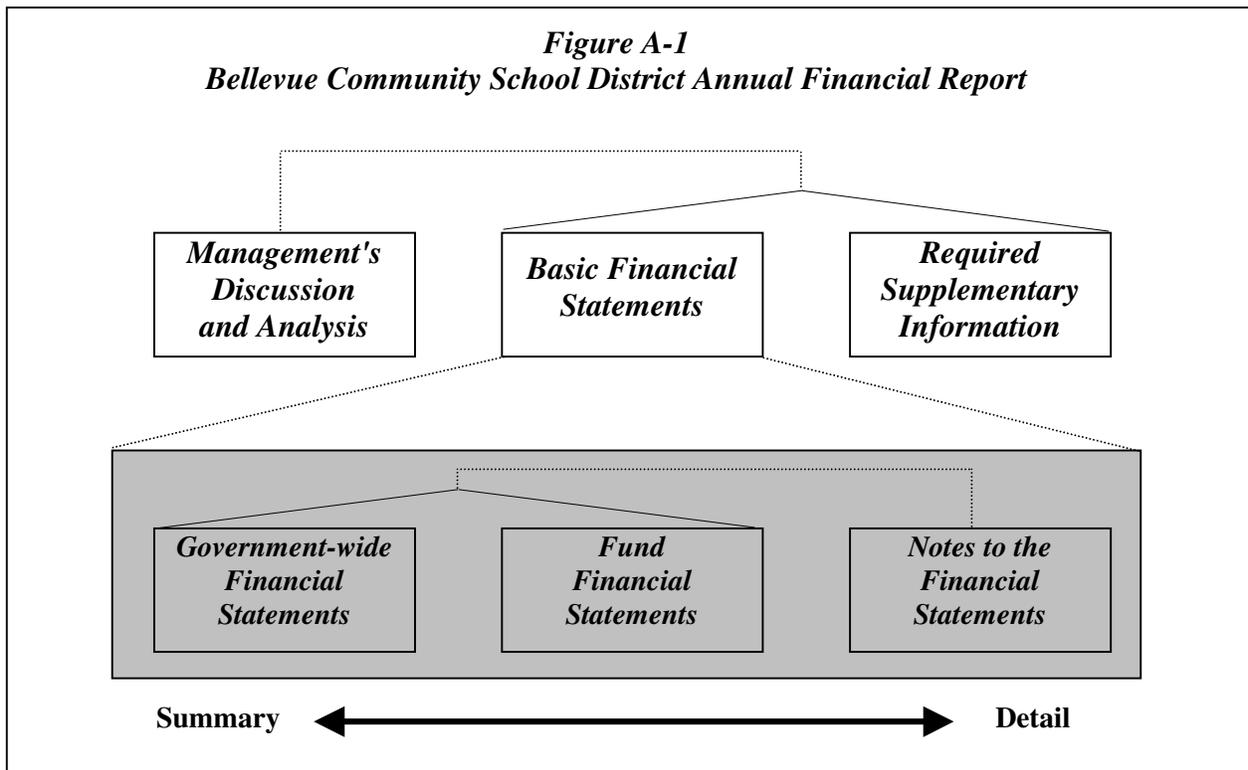


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *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 government-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.

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

- *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. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

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

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The District currently maintains an agency fund for the Big East Conference.

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

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

Financial Analysis of the District as a Whole

Figure A-3 provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

Figure A-3

Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Total Change June 30, 2003-2004
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2003	2004	2003	2004	2003	2004	
Current and other assets	\$4,265,038	\$4,472,798	\$ 31,851	\$ 33,509	\$4,296,889	\$4,506,307	4.9%
Capital assets	1,817,332	1,858,053	11,435	11,167	1,828,767	1,869,220	2.2%
Total Assets	\$6,082,370	\$6,330,851	\$ 43,286	\$ 44,676	\$6,125,656	\$6,375,527	4.1%
Long-term liabilities	\$ 685,000	\$ 625,000	\$ -	\$ -	\$ 685,000	\$ 625,000	-8.8%
Other liabilities	2,439,163	2,318,707	16,442	16,140	2,455,605	2,334,847	-4.9%
Total Liabilities	\$3,124,163	\$2,943,707	\$ 16,442	\$ 16,140	\$3,140,605	\$2,959,847	-5.8%
Net Assets:							
Invested in capital assets, net of related debt	\$1,132,332	\$1,233,053	\$ 11,435	\$ 11,167	\$1,143,767	\$1,244,220	8.8%
Restricted	577,354	886,917	-	-	577,354	886,917	53.6%
Unrestricted	1,248,521	1,267,174	15,409	17,369	1,263,930	1,284,543	1.6%
Total Net Assets	\$2,958,207	\$3,387,144	\$ 26,844	\$ 28,536	\$2,985,051	\$3,415,680	14.4%

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$310,000 over the prior year. The increase was due primarily to community donations being collected to fund a new track project at the high school, the Local Option Sales Tax Funds being deposited and accumulated in the Capital Projects Fund to fund an elevator at the elementary school, and an overall increase in the net assets of the special revenue funds.

Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets increased by approximately \$21,000.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, complete prior year comparisons are not available but will be provided in all subsequent years.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental		Business-type		Total		Percentage Change 2003-04
	Activities		Activities		School District		
	2003	2004	2003	2004	2003	2004	
Revenues:							
Program revenues:							
Charges for services	\$ 355,818	\$ 362,811	\$ 109,773	\$ 115,764	\$ 465,591	\$ 478,575	2.79%
Operating grants, contributions and restricted interest	750,277	825,779	70,555	78,161	820,832	903,940	10.12%
Capital grants, contributions and restricted interest	22,688	64,957	-	-	22,688	64,957	186.31%
General revenues:							
Property taxes and other taxes	2,087,986	2,316,364	-	-	2,087,986	2,316,364	10.94%
Unrestricted state grants	2,204,864	2,129,270	-	-	2,204,864	2,129,270	-3.43%
Other	57,049	56,590	582	495	57,631	57,085	-0.95%
Total Revenues	\$ 5,478,682	\$ 5,755,771	\$ 180,910	\$ 194,420	\$ 5,659,592	\$ 5,950,191	5.13%
Expenses:							
Governmental activities:							
Instruction	\$ 3,286,104	\$ 3,354,925	\$ -	\$ -	\$ 3,286,104	\$ 3,354,925	2.09%
Support services	1,542,261	1,604,823	-	-	1,542,261	1,604,823	4.06%
Non-instructional programs	2,300	2,508	184,752	192,728	187,052	195,236	4.38%
Other expenses	597,043	364,578	-	-	597,043	364,578	-38.94%
Total Expenses	\$ 5,427,708	\$ 5,326,834	\$ 184,752	\$ 192,728	\$ 5,612,460	\$ 5,519,562	-1.66%
Change in Net Assets	\$ 50,974	\$ 428,937	\$ (3,842)	\$ 1,692	\$ 47,132	\$ 430,629	813.67%

Property tax and unrestricted state aid account for 77 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93 percent of the total expenses.

The biggest increase in revenues of 186% in the capital grants and contributions area was mainly due to community donations for the high school track project. The decrease of expenditures by 39% in the other expenses category was due primarily to the finishing of the middle school addition in 2002-2003. No project of that magnitude was undertaken in 2003-2004.

Governmental Activities

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 Cost		Percentage	Net Cost		Percentage
	<u>of Services</u>		<u>Change</u>	<u>of Services</u>		<u>Change</u>
	2003	2004	2003-2004	2003	2004	2003-2004
Instruction	3,286,104	3,354,925	2.1%	2,691,455	2,487,407	-7.6%
Support services	1,542,261	1,604,823	4.1%	1,256,508	1,420,267	13.0%
Non-instructional programs	2,300	2,508	9.0%	2,300	2,508	9.0%
Other expenses	597,043	364,578	-38.9%	348,662	163,105	-53.2%
Total	5,427,708	5,326,834	-1.9%	4,298,925	4,073,287	-5.2%

- The cost financed by users of the District's programs was \$362,811.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$825,779.
- The net cost of governmental activities was financed with \$2,316,364 in various taxes, \$2,129,270 in state foundation aid and \$56,590 in miscellaneous income.

Business-Type Activities

Revenues of the District's business-type activities were \$194,420 and expenses were \$192,728. 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.

During the year ended June 30, 2004, the District increased milk prices for the first time in several years. This increase resulted in no new revenue to the District since the increase in milk cost and the increase charged were about equal.

Financial Analysis of the District's Funds

As previously noted, the Bellevue 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 \$2,106,812, above last year's ending fund balances of \$1,825,007.

Governmental Fund Highlights

- The District's General Fund financial position remained stable. Increases in revenues and expenditures from FY03 to FY04 grew at the same rate resulting in a stable fund balance. The tax rate between the two years for the general fund remained basically the same.
- The Activity Fund balance decreased in 2003-2004 by \$20,040 due to \$15,000 being used for partial payment of the high school electronic sign from the Concessions account.

- The Management Fund balance increased from \$182,947 to \$253,705 because the tax asking was raised \$0.17 in 2003-2004 in anticipation of several retirements of long-time staff members within the near future.
- As previously noted, the Capital Projects Fund balance increased by \$229,211 due to community donations for the high school track project and because of saving the local option sales tax receipts to construct an elevator at the elementary.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$26,844 at June 30, 2003 to \$28,536 at June 30, 2004, representing an increase of approximately 6 percent or \$1692. The meal count was up in 2003-2004 by 25-30 consumers per day most likely due to meal enhancements. As previously noted, the District increased milk prices to break even with the increased cost of milk. As most of the kitchen equipment is over 30 years old; it is likely the District will need to begin replacing these items in the near future.

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, except its private-purpose trust and agency 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. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did not 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 on the following pages.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$37,000 less than the total budgeted receipts, a variance of less than 1%. The most significant change resulted in the District receiving less in various components of state aid than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year as it did in 2003-2004.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.21 percent from last year. Depreciation expense for the year exceeded \$193,000.

The original cost of the District's capital assets was over \$5 million. Governmental funds account for over 99% of these assets with less than 1% in the Proprietary, School Nutrition Fund.

Capital assets added to the district's inventory during the year included two new buses, an electronic sign in front of the high school, a new copier at the elementary, a new phone system, a snowplow, several computers and a resurfaced parking lot at the high school.

Figure A-6								
Capital Assets, Net of Depreciation								
	Governmental		Business-type		Total		Total Change 2003-2004	
	Activities		Activities		School District			
	2003	2004	2003	2004	2003	2004		
Land	\$ 29,200	\$ 29,200	\$ -	\$ -	\$ 29,200	\$ 29,200	0.00%	
Construction in progress	-	-	-	-	-	-	0.00%	
Buildings	1,286,923	1,272,229	-	-	1,286,923	1,272,229	-1.14%	
Improvements other than bldgs	28,372	41,034	-	-	28,372	41,034	44.63%	
Equipment & Furniture	472,837	515,590	11,435	11,167	484,272	526,757	8.77%	
Total	<u>\$1,817,332</u>	<u>\$1,858,053</u>	<u>\$ 11,435</u>	<u>\$ 11,167</u>	<u>\$1,828,767</u>	<u>\$1,869,220</u>	<u>2.21%</u>	

Long-Term Debt

At June 30, 2004, the District had \$625,000 in revenue bonds outstanding. This represents a decrease of approximately 9 percent from last year. (See Figure A-7) These bonds were issued to build four classrooms on the Middle School and are being repaid using the Local Option Sales and Service Tax.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change June 30, 2003-2004
	June 30, 2003	June 30, 2004	
Revenue bonds	<u>\$685,000</u>	<u>\$625,000</u>	<u>-8.8%</u>
Total	<u>\$685,000</u>	<u>\$625,000</u>	<u>-8.8%</u>

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 the past five years, the District experienced a slight increase in enrollment in FY04 which will allow the district to receive “new money” from the state in FY05, the first “new money” for the district in three years. However, in FY05 the State changed the way shared-time students are counted. This significantly impacted the District enrollment by reducing the shared-time equivalency count. The District's final FY05 enrollment count was down 22 students which will impact the FY06 budget.
- Fiscal 2005 will be the last year of a two-year contract with the Bellevue Education Association, (BEA). The District will negotiate a new agreement during fiscal 2005. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- Fifteen employees will be eligible for the District's Early Retirement Plan in 2004-2005. If all 15 employees choose to take advantage of the plan, the Management fund would be liable for \$300,000 in early retirement benefits.

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 Penny Medinger, District Secretary/Treasurer and Business Manager, Bellevue Community School District, 1601 State Street, Bellevue, Iowa, 52031-9766.

**BASIC
FINANCIAL
STATEMENTS**

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental Activities -----	Business-Type Activities -----	Total -----
Assets			
Cash and cash equivalent	\$ 2,367,799	\$ 27,945	\$ 2,395,744
Receivables:			
Property tax:			
Delinquent	14,562	---	14,562
Succeeding year	1,809,312	---	1,809,312
Income surtax	46,460	---	46,460
Accounts	1,135	20	1,155
Due from other governments	188,859	---	188,859
Prepaid deposits	10,414	---	10,414
Deferred debt expense	4,383	---	4,383
Inventories	29,874	5,544	35,418
Capital assets, net of depreciation	1,858,053	11,167	1,869,220
	-----	-----	-----
Total Assets	\$ 6,330,851	\$ 44,676	\$ 6,375,527
	-----	-----	-----
Liabilities			
Accounts payable	\$ 4,027	\$ ---	\$ 4,027
Salaries and benefits payable	430,203	13,159	443,362
Accrued interest payable	1,919	---	1,919
Due to other governments	378	---	378
Deferred revenue:			
Succeeding year property tax	1,809,312	---	1,809,312
Other	71,223	2,981	74,204
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	65,000	---	65,000
Portion due after one year:			
Revenue bonds payable	560,000	---	560,000
Unamortized bond premium	1,645	---	1,645
	-----	-----	-----
Total Liabilities	\$ 2,943,707	\$ 16,140	\$ 2,959,847
	-----	-----	-----

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,233,053	\$ 11,167	\$ 1,244,220
Restricted for:			
All weather track	58,076	---	58,076
Other purposes	12,457	---	12,457
Management levy	253,705	---	253,705
Physical plant and equipment levy	107,109	---	107,109
Other special revenue purposes	89,885	---	89,885
Debt payment	80,935	---	80,935
Capital projects	284,750	---	284,750
Unrestricted	1,267,174	17,369	1,284,543
Total Net Assets	<u>\$ 3,387,144</u>	<u>\$ 28,536</u>	<u>\$ 3,415,680</u>

See notes to financial statements.

EXHIBIT "B"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 2,136,434	\$ 189,087	\$ 312,351	\$ 64,957	\$ (1,570,039.)	\$ ---	\$ (1,570,039.)
Special instruction	676,578	24,678	124,620	---	(527,280.)	---	(527,280.)
Other instruction	541,913	140,261	11,564	---	(390,088.)	---	(390,088.)
Total Instruction	\$ 3,354,925	\$ 354,026	\$ 448,535	\$ 64,957	\$ (2,487,407.)	\$ ---	\$ (2,487,407.)
Support Services:							
Student services	\$ 106,276	\$ ---	\$ ---	\$ ---	\$ (106,276.)	\$ ---	\$ (106,276.)
Instructional staff services	225,271	---	4,517	---	(220,754.)	---	(220,754.)
Administration services	501,314	---	---	---	(501,314.)	---	(501,314.)
Operation and maintenance of plant services	401,185	---	20,351	---	(380,834.)	---	(380,834.)
Transportation services	370,777	8,785	150,903	---	(211,089.)	---	(211,089.)
Total Support Services	\$ 1,604,823	\$ 8,785	\$ 175,771	\$ ---	\$ (1,420,267.)	\$ ---	\$ (1,420,267.)

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

Functions/Programs (Continued)	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities: (Continued)							
Non-instructional Programs	\$ 2,508	\$ ---	\$ ---	\$ ---	\$ (2,508.)	\$ ---	\$ (2,508.)
Other Expenditures:							
Facilities acquisition	\$ 20,562	\$ ---	\$ ---	\$ ---	\$ (20,562.)	\$ ---	\$ (20,562.)
Long-term debt interest	26,345	---	---	---	(26,345.)	---	(26,345.)
AEA flowthrough	201,473	---	201,473	---	---	---	---
Depreciation (unallocated)*	116,198	---	---	---	(116,198.)	---	(116,198.)
Total Other Expenditures	\$ 364,578	\$ ---	\$ 201,473	\$ ---	\$ (163,105.)	\$ ---	\$ (163,105.)
Total Governmental Activities	\$ 5,326,834	\$ 362,811	\$ 825,779	\$ 64,957	\$ (4,073,287.)	\$ ---	\$ (4,073,287.)
Business-Type Activities:							
Non-instructional programs:							
Food service operations	192,728	115,764	78,161	---	---	1,197	1,197
Total	\$ 5,519,562	\$ 478,575	\$ 903,940	\$ 64,957	\$ (4,073,287.)	\$ 1,197	\$ (4,072,090.)

See notes to financial statements.

EXHIBIT "B" (Continued)

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
General Revenues							
Property tax levied for:							
General purposes					\$ 1,810,070	\$ ---	\$ 1,810,070
Capital outlay					106,512	---	106,512
PPEL support surtax					94,361		94,361
Local option sales tax and service tax					305,421	---	305,421
Unrestricted state grants					2,129,270	---	2,129,270
Unrestricted investment earnings					35,073	495	35,568
Other					21,517	---	21,517
Total General Revenues					\$ 4,502,224	\$ 495	\$ 4,502,719
Change in Net Assets					\$ 428,937	\$ 1,692	\$ 430,629
Net Assets Beginning of Year, as restated					2,958,207	26,844	2,985,051
Net Assets End of Year					\$ 3,387,144	\$ 28,536	\$ 3,415,680

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

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Assets				
Cash and pooled investments	\$ 1,581,262	\$ 386,417	\$ 400,120	\$ 2,367,799
Receivables:				
Property Tax:				
Delinquent	12,525	---	2,037	14,562
Succeeding year	1,581,092	---	228,220	1,809,312
Income surtax	---	---	46,460	46,460
Accounts	1,135	---	---	1,135
Due from other governments	149,015	37,344	2,500	188,859
Prepaid expenses	10,414	---	---	10,414
Inventories	29,874	---	---	29,874
	-----	-----	-----	-----
Total Assets	\$ 3,365,317	\$ 423,761	\$ 679,337	\$ 4,468,415
	=====	=====	=====	=====
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,609	\$ ---	\$ 418	\$ 4,027
Salaries and benefits payable	430,203	---	---	430,203
Due to other governments	378	---	---	378
Deferred revenue:				
Succeeding year property tax	1,581,092	---	228,220	1,809,312
Income surtax	---	---	46,460	46,460
Other	71,223	---	---	71,223
	-----	-----	-----	-----
Total Liabilities	\$ 2,086,505	\$ ---	\$ 275,098	\$ 2,361,603
	-----	-----	-----	-----
Fund Balances:				
Reserved for:				
Inventories	\$ 29,874	\$ ---	\$ ---	\$ 29,874
Prepaid expenses	10,414	---	---	10,414
TAG	12,165	---	---	12,165
Phase 2	136	---	---	136
Teacher compensation	156	---	---	156
All weather track	---	58,076	---	58,076
Debt payment	---	80,935	---	80,935
Unreserved:				
Undesignated	1,226,067	284,750	404,239	1,915,056
	-----	-----	-----	-----
Total Fund Balances	\$ 1,278,812	\$ 423,761	\$ 404,239	\$ 2,106,812
	-----	-----	-----	-----
Total Liabilities and Fund Balances	\$ 3,365,317	\$ 423,761	\$ 679,337	\$ 4,468,415
	=====	=====	=====	=====

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds	\$ 2,106,812
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets of \$5,019,738, net of accumulated depreciation of (\$3,161,685) are not financial resources and, therefore, are not reported in the funds.	1,858,053
Income surtaxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	46,460
Long-term liabilities of (\$625,000) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of \$4,383, bond interest payable of (\$1,919), and unamortized bond premium of (\$1,645)	(624,181.)

Net assets of governmental activities	\$ 3,387,144
	=====

See notes to financial statements.

EXHIBIT "E"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Revenues				
Local Sources:				
Local tax	\$ 1,647,224	\$ 305,421	\$ 317,259	\$ 2,269,904
Tuition	199,156	---	---	199,156
Other	115,071	51,362	119,012	285,445
Intermediate sources	2,422	---	---	2,422
State sources	2,657,646	---	324	2,657,970
Federal sources	293,245	---	669	293,914
	-----	-----	-----	-----
Total Revenues	\$ 4,914,764	\$ 356,783	\$ 437,264	\$ 5,708,811
	-----	-----	-----	-----
Expenditures				
Current:				
Instruction:				
Regular instruction	\$ 2,113,527	\$ ---	\$ 31,412	\$ 2,144,939
Special instruction	675,876	---	---	675,876
Other instruction	404,525	---	137,847	542,372
	-----	-----	-----	-----
	\$ 3,193,928	\$ ---	\$ 169,259	\$ 3,363,187
	-----	-----	-----	-----
Support Services:				
Student services	\$ 105,970	\$ ---	\$ 1,227	\$ 107,197
Instructional staff services	215,132	---	9,421	224,553
Administration services	511,117	---	17,449	528,566
Operation and maintenance of plant services	369,224	---	38,948	408,172
Transportation services	304,723	---	125,933	430,656
	-----	-----	-----	-----
	\$ 1,506,166	\$ ---	\$ 192,978	\$ 1,699,144
	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ ---	\$ 2,508	\$ 2,508
	-----	-----	-----	-----

See notes to financial statements.

EXHIBIT "E"
(continued)

BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 40,728	\$ 33,622	\$ 74,350
Long-term debt:				
Principal	---	---	60,000	60,000
Interest and fiscal charges	---	---	26,844	26,844
AEA flowthrough	201,473	---	---	201,473
	-----	-----	-----	-----
	\$ 201,473	\$ 40,728	\$ 120,466	\$ 362,667
	-----	-----	-----	-----
Total Expenditures	\$ 4,901,567	\$ 40,728	\$ 485,211	\$ 5,427,506
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 13,197	\$ 316,055	\$ (47,947.)	\$ 281,305
	-----	-----	-----	-----
Other Financing Sources (Uses)				
Operating transfers in	\$ ---	\$ ---	\$ 86,844	\$ 86,844
Operating transfers out	---	(86,844.)	---	(86,844.)
Sale of equipment and materials	500	---	---	500
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 500	\$ (86,844.)	\$ 86,844	\$ 500
	-----	-----	-----	-----
Net Change in Fund Balances	\$ 13,697	\$ 229,211	\$ 38,897	\$ 281,805
	-----	-----	-----	-----
Fund Balances Beginning of Year, as restated	1,265,115	194,550	365,342	1,825,007
	-----	-----	-----	-----
Fund Balances End of Year	\$ 1,278,812	\$ 423,761	\$ 404,239	\$ 2,106,812
	=====	=====	=====	=====

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

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 \$ 281,805

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

Governmental funds report capital outlays as expenditures. However,
 in the statement of activities, the cost of those assets is allocated
 over their estimated useful lives and reported as depreciation
 expense. This is the amount by which capital outlays of \$234,145
 exceeded depreciation of (\$193,424) in the current period 40,721

Because income surtaxes will not be collected for several months after
 the district's fiscal year end, they are not considered "available"
 revenues and are deferred in the governmental funds. Deferred tax
 revenues increased by this amount this year. 46,460

Current year long-term debt principal payments reported as
 expenditures in the governmental fund financial statements
 are shown as reduction in long-term debt in the government-
 wide financial statements. 60,000

The governmental fund financial statements reflect bond costs
 as an expenditure and premiums on debt issuance as a component
 of other financing sources. The government-wide financial
 statements present the unamortized amount of bond issuance
 cost and premium on bond issuances as an asset and liability,
 respectively, net of amortization. This amount represents the
 current year amortization of these long-term debt related costs. (342.)

Some expenses reported in the statement of activities do not require
 the use of current financial resources and are not reported as
 expenditures in governmental funds. These include the net
 decrease in accrued interest. 293

Change in net assets of governmental activities \$ 428,937
 =====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004**

	School Nutrition

Assets	
Cash and cash equivalents	\$ 27,945
Accounts receivable	20
Inventories	5,544
Capital assets, net of accumulated depreciation	11,167

Total Assets	\$ 44,676

Liabilities	
Salaries and benefits payable	\$ 13,159
Deferred revenue - other	2,981

Total Liabilities	\$ 16,140

Net Assets	
Invested in capital assets, net of related debt	\$ 11,167
Unrestricted	17,369

Total Net Assets	\$ 28,536
	=====

See notes to financial statements.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	School Nutrition
Operating Revenue	-----
Local sources:	
Charges for services	\$ 115,764

Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 85,335
Benefits	15,612
Purchased services	1,312
Supplies	89,552
Depreciation	917

Total Operating Expenses	\$ 192,728

Operating Loss	\$ (76,964.)

Non-Operating Revenue	
State sources	\$ 3,206
Federal sources	74,955
Interest income	495

Total Non-Operating Revenue	\$ 78,656

Changes in Net Assets	\$ 1,692

Net Assets Beginning of Year	26,844

Net Assets End of Year	\$ 28,536
	=====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**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	\$ 115,594
Cash paid to employees for services	(101,099.)
Cash paid to suppliers for goods and services	(77,241.)

Net Cash Used by Operating Activities	\$ (62,746.)

Cash Flows From Noncapital Financing Activities	
State grants received	\$ 3,206
Federal grants received	61,065

Net Cash Provided by Noncapital Financing Activities	\$ 64,271

Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	\$ (649.)

Cash Flows From Investing Activities	
Interest on investments	\$ 495

Net increase in cash and cash equivalents	\$ 1,371

Cash and Cash Equivalents Beginning of Year	26,574

Cash and Cash Equivalents End of Year	\$ 27,945
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (76,964.)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	13,890
Depreciation	917
(Increase) in inventories	(267.)
(Increase) in accounts receivable	(20.)
(Decrease) in salaries and benefits payable	(152.)
(Decrease) in unearned revenues	(150.)

Net Cash Used In Operating Activities	\$ (62,746.)
	=====

Non-Cash Investing, Capital and Financing Activities

During the year ended June 30, 2004, the District received \$13,890 of federal commodities.

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004**

	Agency -----
Assets	
Cash and pooled investments	\$ 7,674 -----
Liabilities	
Due to other governments	\$ 7,674 -----
Net Assets	
None	\$ --- =====

See notes to financial statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies:

The Bellevue Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Bellevue, Iowa, and the predominate agricultural territory in Jackson County. 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, Bellevue Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bellevue 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 Jackson County Assessor's 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 on the District. For the most part, the effect of interfund activity has been removed from these statements.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

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 services.

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.

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 that are 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 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 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 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 expenditures, including instructional, support and other costs.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organization and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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:

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 non-negotiable certificates of deposit which are stated at cost.

For purposes of the statements 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. 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 1 1/2% 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 - Inventory items 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital Assets - Capital assets which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	All
Buildings	\$ 500
Improvements other than buildings	500
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-7 years

Intergovernmental Payables - Intergovernmental payables represents amounts due to other governmental units for various purposes such as supplies, utilities, and Pre-school Special Education.

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

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 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, income surtax and other receivables not collected within sixty days after year end.

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

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently no liability at June 30, 2004 has been accrued.

Long-term Obligations, Deferred Debt Expense, and Bond Discounts/Premiums - In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amount budgeted.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Pooled Investments:

The District' s deposits in banks 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.

Note 3 - Interfund Transfers:

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

Transfer to -----	Transfer from -----	Amount -----
Debt Service	Capital Projects	\$ 86,844

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

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Capital Assets:

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 29,200	\$ ---	\$ ---	\$ 29,200
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 29,200	\$ ---	\$ ---	\$ 29,200
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 2,751,608	\$ 39,003	\$ ---	\$ 2,790,611
Improvements other than buildings	216,750	16,725	---	233,475
Furniture and equipment	1,792,035	178,417	4,000	1,966,452
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 4,760,393	\$ 234,145	\$ 4,000	\$ 4,990,538
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 1,464,685	\$ 53,697	\$ ---	\$ 1,518,382
Improvements other than buildings	188,378	4,063	---	192,441
Furniture and equipment	1,319,198	135,664	4,000	1,450,862
	-----	-----	-----	-----
Total accumulated depreciation	\$ 2,972,261	\$ 193,424	\$ 4,000	\$ 3,161,685
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 1,788,132	\$ 40,721	\$ ---	\$ 1,828,853
	-----	-----	-----	-----
Governmental activities capital assets, net	\$ 1,817,332	\$ 40,721	\$ ---	\$ 1,858,053
	=====	=====	=====	=====
Business-type activities:				
Furniture and equipment	\$ 13,655	\$ 649	\$ ---	\$ 14,304
Less accumulated depreciation	2,220	917	---	3,137
	-----	-----	-----	-----
Business-type activities capital assets, net	\$ 11,435	\$ (268.)	\$ ---	\$ 11,167
	=====	=====	=====	=====

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 5,630
Special instruction	14,182
Other instruction	1,366

Support services:

Student support services	102
Instructional staff support services	718
Administration services	4,435
Operation and maintenance of plant services	6,109
Transportation services	43,291
Facilities acquisition and construction	1,393
Unallocated	116,198

Total depreciation expense - governmental activities	\$ 193,424
--	------------

Business-type activities:

Food service operations	\$ 917
-------------------------	--------

Note 5 - Long-Term Liabilities:

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Local Option Sales and Services Tax	\$ 685,000	\$ ---	\$ 60,000	\$ 625,000	\$ 65,000
	=====	=====	=====	=====	=====

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 5 - Long-Term Liabilities: (Continued)

Revenue Bonds Payable

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
-----	-----	-----	-----	-----
2005	3.875%	\$ 65,000	\$ 24,219	\$ 89,219
2006	3.875%	70,000	21,700	91,700
2007	3.875%	75,000	18,988	93,988
2008	3.875%	75,000	16,081	91,081
2009	3.875%	80,000	13,175	93,175
2010	3.875%	85,000	10,075	95,075
2011	3.875%	85,000	6,781	91,781
2012	3.875%	90,000	3,488	93,488
Total		\$ 625,000	\$ 114,507	\$ 739,507
		=====	=====	=====

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

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

- (a) Interest on the Bonds is payable on June 1 and December 1 in each year beginning December 1, 2002, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing after June 1, 2006, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 5 - Long-Term Liabilities: (Continued)

- (b) The Bond Resolution establishes a Project Fund (the ‘Project Fund’) into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.
- (c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the ‘Revenue Fund’), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.
- (d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the ‘Sinking Fund’). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds (‘Parity Obligations’) during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.
- (e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the ‘Reserve Fund Requirement’).

The District did comply with all of the provisions during the year ended June 30, 2004. The amounts required for the Sinking Fund and Reserve Fund are accounted for in the Capital Projects Fund.

Early Retirement

The District offers the following early retirement plans to its employees.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 5 - Long-Term Liabilities: (Continued)

Administration - Eligible employees must be at least age fifty-eight and must have completed fifteen years of administrative service or a combination of twenty-five years of teaching and administrative service with at least the final five years of said service in administration. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the administrator's salary at the time of employment. The District will provide health insurance from age 58 to 65, or until the retiree becomes insured through another plan. Early retirement benefits paid to administrators during the year ended June 30, 2004 totaled \$-0-.

Teachers - Eligible employees must be at least age fifty-five and must have completed twenty years of full time employment, or its equivalence. Employees must complete a written application which is required to be approved by the Board of Education. The early retirement incentive for each eligible teacher is equal to 100% of the difference between their position on the current salary schedule and the base of said schedule. Early retirement benefits paid to teachers during the year ended June 30, 2004 totaled \$16,198.

Non-Certified - Eligible employees must be at least age fifty-five and must have completed twenty years of full-time continuous service. Employees must complete an application for early retirement. The early retirement incentive is equal to an amount representing fifty days of pay at the employee's rate of pay at the time of retirement. Early retirement benefits paid to non-certified employees during the year ended June 30, 2004 totaled \$-0-.

At June 30, 2004, the District did not have a liability for early retirement.

Note 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 6 - Pension and Retirement Benefits: (Continued)

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the year ended June 30, 2004, 2003, and 2002 were \$179,142, \$174,024 and \$170,579 respectively, equal to the required contributions for each year.

Note 7 - Risk Management:

Bellevue 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.

Note 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 \$201,473 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

Note 9 - Construction Commitment:

In June 2004, the District entered into a contract totaling \$107,633 for the reroofing of the high school, superintendent's office, and the locker room. No amounts had been expended under this contract at June 30, 2004.

Note 10 - Contingency:

Medical - The District self funds employee medical claims in excess of \$200 for single coverage and \$400 for family coverage, limited to \$1,000 maximum for single coverage and \$2,000 for family coverage.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 11 - 28E. Agreement:

On July 1, 2001, the District entered into a 28E Agreement with the Camanche Community School District. The Agreement is for the purpose of providing the District with funds for implementing a before and after school program.

Note 12 - Other Matters:

In January, 2003, the District entered into an agreement with a soft drink company in which the District agreed to purchase beverages exclusively from this company. In return, the soft drink company provided the District with two outdoor scoreboards. The agreement is for ten years commencing on January 31, 2003 and continues through January 30, 2013. In the event the soft drink company is not the exclusive provider of beverages to the District, the District would be required to reimburse the soft drink company for a percentage of the scoreboards.

Note 13 - 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; 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; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 13 - Accounting Change and Restatements: (Continued)

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Net assets June 30, 2003, as previously reported	\$ 1,265,115	\$ 194,550	\$ 365,342	\$ 1,825,007
GASB Interpretation No. 6 adjustments	---	---	---	---
	-----	-----	-----	-----
Net assets July 1, 2003, as restated for governmental funds	\$ 1,265,115	\$ 194,550	\$ 365,342	\$ 1,825,007
	=====	=====	=====	
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$2,968,261				1,817,332
Long-term liabilities:				
Bonds and notes				(685,000.)
Accrued interest payable				(2,212.)
Bond premium				(1,851.)
Bond issuance costs				4,931

Net assets July 1, 2003, as restated				\$ 2,958,207
				=====

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 2,754,505	\$ 116,259	\$ 2,870,764	\$ 2,769,946	\$ 2,769,946	\$ 100,818
Intermediate sources	2,422	---	2,422	7,852	7,852	(5,430.)
State sources	2,657,970	3,206	2,661,176	2,797,767	2,797,767	(136,591.)
Federal sources	293,914	74,955	368,869	364,459	364,459	4,410
Total Revenues	\$ 5,708,811	\$ 194,420	\$ 5,903,231	\$ 5,940,024	\$ 5,940,024	\$ (36,793.)
Expenditures						
Instruction	\$ 3,363,187	\$ ---	\$ 3,363,187	\$ 4,465,358	\$ 4,465,358	\$ 1,102,171
Support services	1,699,144	---	1,699,144	2,216,807	2,216,807	517,663
Non-instructional program	2,508	192,728	195,236	221,680	221,680	26,444
Other expenditures	362,667	---	362,667	689,412	689,412	326,745
Total Expenditures	\$ 5,427,506	\$ 192,728	\$ 5,620,234	\$ 7,593,257	\$ 7,593,257	\$ 1,973,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 281,305	\$ 1,692	\$ 282,997	\$(1,653,233.)	\$(1,653,233.)	\$ 1,936,230
Other Financing Sources, Net	500	---	500	2,030	2,030	(1,530.)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 281,805	\$ 1,692	\$ 283,497	\$(1,651,203.)	\$(1,651,203.)	\$ 1,934,700
Balances Beginning of Year	1,825,007	26,844	1,851,851	2,125,816	2,125,816	(273,965.)
Balances End of Year	\$ 2,106,812	\$ 28,536	\$ 2,135,348	\$ 474,613	\$ 474,613	\$ 1,660,735

See accompanying independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**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 accrual basis. Encumbrances are not recognized on the accrual 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 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 functional area level, not by fund. The Code of Iowa also provides District expenditures in the General Fund that may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

SCHEDULE "1"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Assets					
Cash and pooled investments	\$ 250,946	\$ 89,885	\$ 59,289	\$ ---	\$ 400,120
Receivables:					
Property tax:					
Delinquent	1,239	---	798	---	2,037
Succeeding year	130,000	---	98,220	---	228,220
Income surtax	---	---	46,460	---	46,460
Due from other governments	1,520	---	980	---	2,500
Total Assets	\$ 383,705	\$ 89,885	\$ 205,747	\$ ---	\$ 679,337
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ ---	\$ ---	\$ 418	\$ ---	\$ 418
Deferred revenue:					
Succeeding year property tax	130,000	---	98,220	---	228,220
Income surtax	---	---	46,460	---	46,460
Total Liabilities	\$ 130,000	\$ ---	\$ 145,098	\$ ---	\$ 275,098
Fund Equity:					
Unreserved fund balances	\$ 253,705	\$ 89,885	\$ 60,649	\$ ---	\$ 404,239
Total Liabilities and Fund Equity	\$ 383,705	\$ 89,885	\$ 205,747	\$ ---	\$ 679,337

See accompanying independent auditor's report.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues					
Local Sources:					
Local tax	\$ 162,846	\$ ---	\$ 154,413	\$ ---	\$ 317,259
Other	1,118	117,807	87	---	119,012
State sources	196	---	128	---	324
Federal sources	407	---	262	---	669
Total Revenues	\$ 164,567	\$ 117,807	\$ 154,890	\$ ---	\$ 437,264
Expenditures					
Current:					
Instruction:					
Regular instruction	\$ 24,183	\$ ---	\$ 7,229	\$ ---	\$ 31,412
Other instruction	---	137,847	---	---	137,847
Total Instruction	\$ 24,183	\$ 137,847	\$ 7,229	\$ ---	\$ 169,259
Support Services:					
Student services	\$ 204	\$ ---	\$ 1,023	\$ ---	\$ 1,227
Instructional staff services	151	---	9,270	---	9,421
Administration services	17,449	---	---	---	17,449
Operation and maintenance of plant services	26,551	---	12,397	---	38,948
Transportation services	22,763	---	103,170	---	125,933
Total Support Services	\$ 67,118	\$ ---	\$ 125,860	\$ ---	\$ 192,978
Non-instructional Programs	\$ 2,508	\$ ---	\$ ---	\$ ---	\$ 2,508
Other Expenditures:					
Facilities acquisition	\$ ---	\$ ---	\$ 33,622	\$ ---	\$ 33,622
Long-term debt:					
Principal	---	---	---	60,000	60,000
Interest and fiscal charges	---	---	---	26,844	26,844
Total Other Expenditures	\$ ---	\$ ---	\$ 33,622	\$ 86,844	\$ 120,466
Total Expenditures	\$ 93,809	\$ 137,847	\$ 166,711	\$ 86,844	\$ 485,211

See accompanying independent auditor's report.

SCHEDULE "2"
(Continued)

BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 70,758	\$ (20,040.)	\$ (11,821.)	\$ (86,844.)	\$ (47,947.)
Other Financing Sources (Uses)					
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ 86,844	\$ 86,844
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 70,758	\$ (20,040.)	\$ (11,821.)	\$ ---	\$ 38,897
Fund Balances Beginning of Year, as restated	182,947	109,925	72,470	---	365,342
Fund Balances End of Year	\$ 253,705	\$ 89,885	\$ 60,649	\$ ---	\$ 404,239

See accompanying independent auditor's report.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2004**

	Balance Beginning of Year -----	Revenues -----	Expenditures -----	Balance End of Year -----
Materials for Resale:				
Band	\$ (1,390.)	\$ 975	\$ 1,168	\$ (1,583.)
Athletics:				
Junior High/High School	11,785	43,016	46,023	8,778
Pep Club	1,980	98	454	1,624
School Entertainment:				
Concessions	17,996	1,246	16,015	3,227
High School Student Council	3,604	8,254	8,782	3,076
Junior High Student Council	1,347	4,809	5,701	455
School Publications - High School	4,779	8,723	8,695	4,807
School Publications - Middle School	1,773	471	791	1,453
School Clubs:				
FFA - boys	241	89	260	70
FHA - girls	1,173	---	---	1,173
Letterman's	1,222	1,005	408	1,819
SADD Program	378	---	200	178
SADD Program - Middle School	988	---	75	913
Speech - High School	(34.)	---	---	(34.)
Cheerleaders	1,114	5,309	3,899	2,524
Elementary	8,757	2,708	3,366	8,099
Educational trips - Spanish Club	12,939	200	2,637	10,502
School Music Groups:				
Dues, trips, etc.	2,575	---	---	2,575
Vocal music activities	2,044	150	549	1,645
Color guard activities	26	---	---	26
Music Boosters	24,235	15,764	16,314	23,685
Class of:				
2004	2,688	---	2,688	---
2005	2,676	10,471	9,425	3,722
2006	1,947	4,191	3,446	2,692
2007	170	228	137	261
2008	---	100	---	100
Pre-School	12	320	285	47
Interest	---	1,195	155	1,040
Dance Team	1,512	7,742	6,195	3,059
Musicals	3,388	743	179	3,952
	-----	-----	-----	-----
Total	\$ 109,925	\$ 117,807	\$ 137,847	\$ 89,885
	=====	=====	=====	=====

See accompanying independent auditor's report.

BELLEVUE COMMUNITY SCHOOL DISTRICT
 BELLEVUE, IOWA

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year -----	Additions -----	Deductions -----	Balance End of Year -----
Assets				
Cash and deposits	\$ 7,787 =====	\$ 21,452 =====	\$ 21,565 =====	\$ 7,674 =====
Liabilities				
Payable to others	\$ 7,787 =====	\$ 21,452 =====	\$ 21,565 =====	\$ 7,674 =====

See accompanying independent auditor' s report.

SCHEDULE "5"

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS**

	Modified Accrual Basis			
	2004	2003	2002	2001
	-----	-----	-----	-----
Revenues:				
Local Sources:				
Local tax	\$ 2,269,904	\$ 1,920,881	\$ 1,647,758	\$ 1,633,242
Tuition	199,156	207,804	145,934	151,420
Other	285,445	272,448	334,051	285,065
Intermediate Sources	2,422	4,046	713	1,614
State Sources	2,657,970	2,826,425	2,799,037	2,735,026
Federal Sources	293,914	245,145	292,417	220,057
	-----	-----	-----	-----
Total	\$ 5,708,811	\$ 5,476,749	\$ 5,219,910	\$ 5,026,424
	=====	=====	=====	=====
Expenditures:				
Instruction:				
Regular instruction	\$ 2,144,939	\$ 2,074,235	\$ 2,080,749	\$ 1,976,850
Special instruction	675,876	695,963	638,447	598,597
Other instruction	542,372	512,655	488,613	530,199
Support Services:				
Student services	107,197	101,766	93,760	89,089
Instructional staff services	224,553	200,120	180,180	203,691
Administration services	528,566	522,703	512,901	523,780
Operation and maintenance of plant services	408,172	390,310	380,472	401,594
Transportation services	430,656	373,646	340,290	329,941
Central support services	---	1,077	---	893
Non-Instructional Programs	2,508	2,300	2,036	1,043
Other Expenditures:				
Facilities acquisition	74,350	266,562	573,886	49,462
Long-term debt:				
Principal	60,000	50,000	---	---
Interest and other charges	26,844	35,977	---	---
AEA flowthrough	201,473	216,669	218,532	223,165
	-----	-----	-----	-----
Total	\$ 5,427,506	\$ 5,443,983	\$ 5,509,866	\$ 4,928,304
	=====	=====	=====	=====

See accompanying independent auditor' s report.

OTHER SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR' S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

To the Board of Education of the
Bellevue Community School District

We have audited the financial statements of the Bellevue Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with United States of America 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. Our report included an explanatory paragraph on the implementation of GASB Statements No. 34, 37, 38 and 41 and a disclaimer of opinion on the required supplementary information including Management' s Discussion and Analysis.

Compliance

As part of obtaining reasonable assurance about whether Bellevue 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, 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 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 Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District' s operations for the year ended June 30, 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 except for item II-K-04.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition noted in Item I-A-04 is a material weakness. This material weakness was also noted in the prior years audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the Bellevue Community School District and other parties to whom the 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 the Bellevue 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.

O' CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 10, 2004

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the board secretary performs substantially all of the significant accounting functions.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. We recommend that the bank statements be delivered directly to the Superintendent for review before being given to the secretary for reconciliation. The District should continue to review its operating procedures to obtain the maximum internal accounting control possible under the circumstances.

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

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - 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 of 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.

**BELLEVUE COMMUNITY SCHOOL DISTRICT
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-E-04 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Board Minutes - We noted bond principal and interest payment transactions which had not been formally approved by the Board.

Recommendation - The bond principal and interest payments should be included on the list of bills presented to the board and approved.

Response - We will include these payments on the list of bills presented to the board.

Conclusion - Response accepted.

II-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments - No instances of noncompliance 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.

II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-04 Student Activity Fund - The Student Activity Fund had two accounts with deficit balances as of June 30, 2004.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate any deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.