BENNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2004

BENNETT COMMUNITY SCHOOL DISTRICT
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BENNETT COMMUNITY SCHOOL DISTRICT
OFFICIALS
June 30, 2004

Name	Title		Term Expires
	Board of Education		
	(Before September, 2003 Election)		
Jim Pelzer	Board President		2003
Darla Fay	Board Member		2004
Nyle Paper	Board Member		2004
David Rixe	Board Member		2005
Art Ahrens	Board Member		2005
	(After September, 2003 Election)		
Jim Pelzer	Board President		2006
Darla Fay	Board Member	Resigned 3-8-04	2004
Nyle Paper	Board Member		2004
David Rixe	Board Member		2005
Art Ahrens	Board Member		2005
David Timmerman	Board Member	Appointed 3-18-04	2004
	School Officials		
Tom Corrick	Superintendent		2004
Sue Hillmann	District Secretary		2004
Kay Burmeister	District Treasurer		2004
Brian Gruhn	Attorney		2004

KAY L. CHAPMAN, CPA PC
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Muscatine, Iowa 52761
563-264-1385

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bennett Community School District
Bennett, Iowa

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bennett Community School District, Bennett Iowa, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Bennett Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Bennett Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; 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, I have also issued my reports dated August 27, 2004 on my consideration of Bennett Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. I 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. The supplementary information included in Schedules 1 through 7, 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 my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Kay L. Chapman, CPA PC
August 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $1,879,643 in fiscal 2003 to $1,860,097 in fiscal 2004, and General Fund expenditures increased from $1,827,609 in fiscal 2003 to $1,899,227 in fiscal 2004. The District's General Fund balance decreased from $698,433 in fiscal 2003 to $660,426 in fiscal 2004, a 5% decrease.

- The decrease in General Fund revenues was attributable to decrease in state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. A drop in the certified enrollment from 242 in 2003, to 232 in 2004, and less dollars generated by allowable growth, accounted for a decrease in state revenue.

- Another reason for the increase in expenditures in the General Fund is due to the increase in open enrollment expenditures.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bennett Community School District's

operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bennett Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

Figure A-1
Bennett Community School District Annual Financial Report

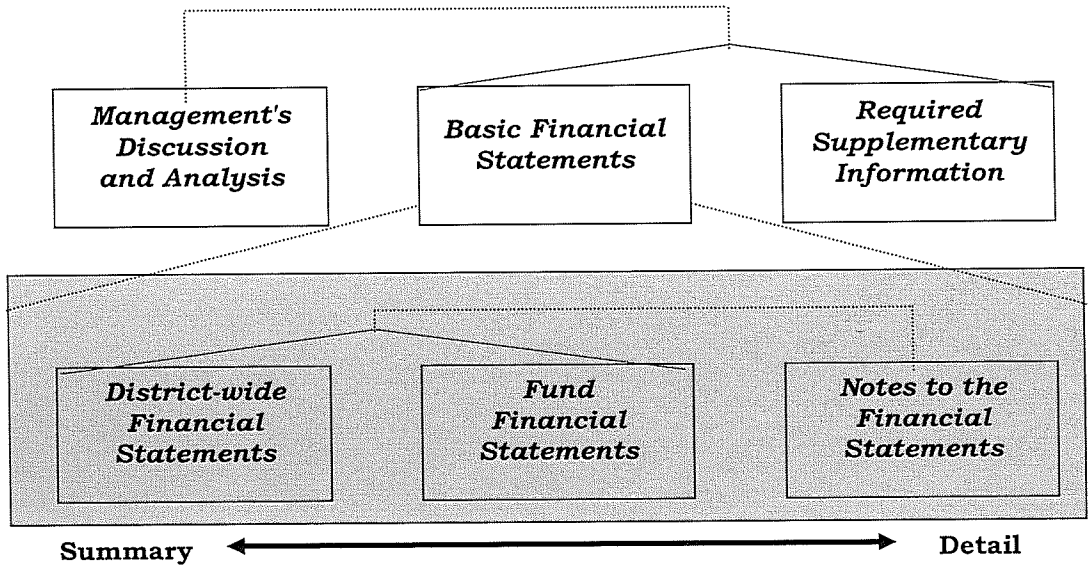

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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 and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• 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 during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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 and rental programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Rental Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2003	2002	2003	2002	2003	2002	2002-2003
Current and other assets	$ 11,091,274	$ 10,902,356	$ 89,306	$ 76,893	$ 11,180,580	$ 10,979,249	1.83%
Capital assets	2,952,638	2,921,564	34,982	29,959	2,987,620	2,951,523	1.22%
Total assets	14,043,912	13,823,920	124,288	106,852	14,168,200	13,930,772	1.70%
Long-term obligations	1,411,315	1,703,061	-	-	1,411,315	1,703,061	-17.13%
Other liabilities	8,526,423	8,188,535	33,589	32,356	8,560,012	8,220,891	4.13%
Total liabilities	9,937,738	9,891,596	33,589	32,356	9,971,327	9,923,952	0.48%
Net assets							
Invested in capital assets, net of related debt	1,747,638	1,614,064	34,982	29,959	1,782,620	1,644,023	8.43%
Restricted	1,462,461	1,693,985	-	-	1,462,461	1,693,985	-13.67%
Unrestricted	896,075	115,319	55,717	52,028	951,792	167,347	468.75%
Total net assets	$ 4,106,174	$ 3,423,368	$ 90,699	$ 81,987	$ 4,196,873	$ 3,505,355	19.73%

This isn't correct

The District's combined net assets increased by approximately 1.72%, or $15,564, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased $17,464, or 5% over the prior year. The decrease was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased $7,155, or 2%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meets its financial obligations during the year.

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

Figure A-4

Change in Net Assets

	Governmental Activities	Business-type Activities	Total School District
Revenues			
Program revenues			
Charges for service and sales	$ 146,071	$ 62,889	$ 208,960
Operating grants, contributions and restricted interest	280,831	27,284	308,115
General revenues			
Property tax	1,128,645	-	1,128,645
Unrestricted state grants	589,751	-	589,751
Unrestricted investment earnings	10,746	79	10,825
Other	22,667	-	22,667
Proceeds from real estate	57,539	-	57,539
Interfund operating transfers	1,123	-	1,123
Total revenues	2,237,373	90,252	2,327,625
Program expenses			
Governmental activities			
Instruction	1,488,782	-	1,488,782
Support services	624,418	-	624,418
Non-instructional programs	-	90,514	90,514
Other expenses	108,347	-	108,347
Total expenses	2,221,547	90,514	2,312,061
Change in net assets	$ 15,826	$ (262)	$ 15,564

Property tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were $2,237,373 and expenses were $2,221,547. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenue. The elimination of one vocational instructor and sharing of another with a neighboring district contributed to this means of balancing the budget.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 1,488,782	$ 1,134,491
Support services	624,418	621,403
Other expenses	108,347	38,751
Total expenses	$ 2,221,547	$ 1,794,645

- The cost financed by users of the District's programs was $146,071.
- Federal and state governments subsidized certain programs with grants and contributions totaling $280,831.
- The net cost of governmental activities was financed with $1,128,645 in property and other taxes and $589,751 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $90,252 and expenses were $90,514. The District's business type activities include the School Nutrition Fund and Rental Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The increase in revenue in the School Nutrition Fund is due to the large number of ala carte items sold. A minimal increase in the milk price for the 2003-04 school year also contributed to the increase in revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, Bennett 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 a combined fund balance of $994,435, below last year's ending fund balances of $1,050,044. The primary reason for the decrease in combined fund balances in fiscal 2004 is due to increased spending for salaries and an increase in health insurance costs and open enrollment expenditures in the General Fund, along with payment of a loan from the Physical Plant and Equipment Levy.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Less state aid during the year, factored by declining enrollment, and failure to secure a Scott County Regional Authority Grant, resulted in a decrease in revenues.

- The General Fund balance decreased from $698,433 to $660,426, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

- The decrease in the major fund balances is due to several factors. In fiscal 2004, the district's health insurance cost rose 37.5%, the cost of substitute teachers went from $12,313.75 in fiscal 2003 to $19,548.00 in fiscal 2004, open enrollment costs increased significantly, along with the increase in salaries. A new building was constructed for storage and maintenance, along with some other major repairs to the school building. The district also did not receive a $22,000.00 River Boat Authority Grant that it had applied for, resulting in less revenue than anticipated.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from $123,504 in fiscal 2003 to $102,543 in fiscal 2004. A new building was constructed for storage and maintenance, along with other major repairs to the school building being done, ie. Ceilings lowered, a major tuckpointing project, new fluorescent lighting installed in some classrooms, as well as window openings re-sided. The district also made the third payment and the balloon payment on the 2002 Bluebird bus in the amount of $25,720.77.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from $21,105 at June 30, 2003 to $20,843 at June 30, 2004, representing a decrease of approximately 1%. The District did not increase the price for lunches or breakfasts in 2004. Due to a decline in enrollment, less students and faculty were eating the meals. The cost of food and salaries continued to rise.

BUDGETARY HIGHLIGHTS

The District's receipts were $71,742 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid and a Riverboat Authority Grant of $22,000 that was originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested $248,827, 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 represents a net decrease of 13% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $57,929.

The original cost of the District's capital assets was $1,350,981. Governmental funds account for $1,303,988, with the remainder of $46,993 accounted for in the Proprietary, School Nutrition Fund.

There has been no significant change in the District's capital assets.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
Land	$ 2,210	$ 2,210	$ -	$ -	$ 2,210	$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	63,761	65,551	-	-	63,761	65,551	-2.73%
Furniture and equipment	163,272	198,407	2,384	3,498	165,656	201,905	-17.95%
Totals	$246,443	$283,368	$ 2,384	$ 3,498	$ 248,827	$ 286,866	-13.26%

Long-Term Debt

At June 30, 2004, the District had $340,000 in general obligation and debt outstanding. This represents a decrease of approximately 24% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In July 2003, the District had $448,222 in outstanding long-term obligations and capital loan notes. In June 2004 the District reduced the General Obligation Bonds by $30,000, from $370,000 to $340.000. The District also had a Capital Loan Note in July 2003 of $78,222 which was paid in full in May of 2004, leaving $340,000 in general obligation and debt outstanding.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	2004	2003	2003-2004
General obligation bonds	$ 340,000	$ 370,000	-8.11%
Capital loan notes	-	78,222	-100.00%
Total	$ 340,000	$ 448,222	-24.14%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for the last seven of eight years. Projections are for it to continue to exist. Grades K-6 will be impacted by the continuing decline in enrollment.

- The District will have a three year whole grade sharing agreement with the Durant School District beginning 2005. Grades 7-12 will be serviced by the Durant School District. The transition will have an economical impact on the District, with payment of 81% to 83% of the cost per pupil for those three years. Also, the whole grade sharing agreement has initiated a significant number of students to open enroll to a district other than Durant.

- The District will be negotiating a one year contract with the Bennett Education Association for the 2005-06 school year. Health insurance premiums continue to increase, which plays a major role in staff salaries.

- Beginning in fiscal 2005, the superintendent's position will be a significantly reduced position; therefore, there will be a cost savings administratively.

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 Sue Hillmann, Board Secretary, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,118,008	$ 17,045	$ 1,135,053
Receivables			
Property tax			
Delinquent	11,354	-	11,354
Succeeding year	950,955	-	950,955
Accrued interest	120	-	120
Accounts receivable	85	-	85
Due from other governments	20,271	-	20,271
Inventories	-	1,414	1,414
Capital assets, net of accumulated depreciation	246,443	2,384	248,827
Total assets	2,347,236	20,843	2,368,079
LIABILITIES			
Accounts payable	10,683	-	10,683
Salaries and benefits payable	144,720	-	144,720
Accrued interest payable	786	-	786
Deferred revenue - succeeding year property tax	950,955	-	950,955
Long-term liabilities			
Portion due within one year			
Bonds payable	30,000	-	30,000
Portion due after one year			
Bonds payable	310,000	-	310,000
Total liabilities	1,447,144	-	1,447,144
NET ASSETS			
Invested in capital assets, net of related debt	246,443	2,384	248,827
Restricted for			
Debt service	71,869	-	71,869
Capital projects	56,601	-	56,601
Management levy	71,912	-	71,912
Physical plant and equipment levy	102,543	-	102,543
Other special revenue purposes	30,298	-	30,298
Unrestricted	320,426	18,459	338,885
Total net assets	$ 900,092	$ 20,843	$ 920,935

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit B

Statement of Activites

For the Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction							
Regular instruction	$ 1,052,380	$ 34,837	$ 164,394	$ -	$ (853,149)	$ -	$ (853,149)
Special instruction	225,327	-	45,132	-	(180,195)	-	(180,195)
Other instruction	211,075	108,219	1,709	-	(101,147)	-	(101,147)
	1,488,782	143,056	211,235	-	(1,134,491)	-	(1,134,491)
Support services							
Student services	20,708	-	-	-	(20,708)	-	(20,708)
Instructional staff services	3,967	-	-	-	(3,967)	-	(3,967)
Administration services	298,868	-	-	-	(298,868)	-	(298,868)
Operation and maintenance of plant services	172,316	1,230	-	-	(171,086)	-	(171,086)
Transportation services	116,388	1,785	-	-	(114,603)	-	(114,603)
Central support services	12,171	-	-	-	(12,171)	-	(12,171)
	624,418	3,015	-	-	(621,403)	-	(621,403)
Other expenditures							
Facilities acquisition	11,711	-	-	-	(11,711)	-	(11,711)
Long-term debt interest	23,294	-	-	-	(23,294)	-	(23,294)
AEA flowthrough	69,596	-	69,596	-	-	-	-
Depreciation (unallocated) *	3,746	-	-	-	(3,746)	-	(3,746)
	108,347	-	69,596	-	(38,751)	-	(38,751)
Total governmental activities	2,221,547	146,071	280,831	-	(1,794,645)	-	(1,794,645)

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Statement of Activites

For the Year Ended June 30, 2004

Exhibit B

Functions/Programs (continued)	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Business-type activities							
Non-instructional programs							
Nutrition services	$ 86,061	$ 58,689	$ 27,284	$ -	$ -	$ (88)	$ (88)
Rental	4,453	4,200	-	-	-	(253)	(253)
Total business-type activities	90,514	62,889	27,284	-	-	(341)	(341)
Total	$ 2,312,061	$ 208,960	$ 308,115	$ -	(1,794,645)	(341)	(1,794,986)
General Revenues							
Property tax levied for							
General purposes					922,812	-	922,812
Debt service					64,327	-	64,327
Capital outlay					141,506	-	141,506
Unrestricted state grants					589,751	-	589,751
Unrestricted investment earnings					10,746	79	10,825
Other					22,667	-	22,667
Special item - proceeds from sale of real estate					57,539	-	57,539
Transfers					1,123	-	1,123
Total general revenues					1,810,471	79	1,810,550
Change in net assets					15,826	(262)	15,564
Net assets, beginning of year, as restated					884,266	21,105	905,371
Net assets, end of year					$ 900,092	$ 20,843	$ 920,935

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

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	$ 793,861	$ 118,070	$ 206,077	$ 1,118,008
Receivables				
Property tax				
Delinquent	9,710	911	733	11,354
Succeeding year	827,549	75,506	47,900	950,955
Accounts receivable	85	-	-	85
Accrued interest	74	46	-	120
Due from other funds	-	-	15,165	15,165
Due from other governments	10,780	-	9,491	20,271
Total assets and other debits	$ 1,642,059	$ 194,533	$ 279,366	$ 2,115,958
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 9,364	$ 1,319	$ -	$ 10,683
Salaries and benefits payable	144,720	-	-	144,720
Due to other funds	-	15,165	-	15,165
Deferred revenue				
Succeeding year property tax	827,549	75,506	47,900	950,955
Total liabilities	981,633	91,990	47,900	1,121,523
Fund balances				
Reserved for				
Iowa Early Intervention program	17,578	-	-	17,578
Talented and gifted	9,773	-	-	9,773
Unreserved, undesignated				
Special revenue	-	102,543	102,210	204,753
Other governmental	633,075	-	129,256	762,331
Total fund balances	660,426	102,543	231,466	994,435
Total liabilities and fund balances	$ 1,642,059	$ 194,533	$ 279,366	$ 2,115,958

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2004

Total fund balances of governmental funds	$ 994,435
Amounts reported for governmental activites in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, and, therefore, are not reported as assets in the governmental funds.	246,443
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(786)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(340,000)
Net assets of governmental activities	$ 900,092

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2004

		Special Revenue		
		Physical Plant and Equipment	Nonmajor Governmental	
Revenues	General	Levy	Funds	Total
Local sources				
Local tax	$ 922,812	$ 79,901	$ 125,932	$ 1,128,645
Tuition	22,785	-	-	22,785
Other	58,688	2,465	110,316	171,469
State sources	764,824	-	-	764,824
Federal sources	90,988	-	-	90,988
Total revenues	1,860,097	82,366	236,248	2,178,711
Expenditures				
Current				
Instruction				
Regular instruction	1,028,456	-	2,413	1,030,869
Special instruction	225,327	-	-	225,327
Other instruction	76,436	-	134,639	211,075
	1,330,219	-	137,052	1,467,271
Support services				
Student services	20,708	-	-	20,708
Instructional staff services	3,967	-	-	3,967
Administration services	291,692	-	5,796	297,488
Operation and maintenance of plant services	109,137	53,306	9,266	171,709
Transportation services	61,737	25,721	5,288	92,746
Central support services	12,171	-	-	12,171
	499,412	79,027	20,350	598,789
Other expenditures				
Facilities acquisition	-	-	25,672	25,672
Long-term debt				
Principal	-	-	108,221	108,221
Interest and fiscal charges	-	-	23,433	23,433
AEA flowthrough	69,596	-	-	69,596
	69,596	-	157,326	226,922
Total expenditures	1,899,227	79,027	314,728	2,292,982

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Excess (deficiency) of revenues over (under) expenditures	$ (39,130)	$ 3,339	$ (78,480)	$ (114,271)
Other financing sources (uses)				
Sale of real property	-	57,539	-	57,539
Operating transfers in (out)	1,123	(81,839)	81,839	1,123
Total other financing sources (uses)	1,123	(24,300)	81,839	58,662
Net change in fund balances	(38,007)	(20,961)	3,359	(55,609)
Fund balance, beginning of year	698,433	123,504	228,107	1,050,044
Fund balance, end of year	$ 660,426	$102,543	$ 231,466	$ 994,435

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds		$ (55,609)
Amounts reported for governmental activites in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 19,890	
Depreciation expense	(56,815)	(36,925)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		108,222
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		138
Change in net assets of governmental activities		$ 15,826

See notes to financial statements and Independent Auditor's Report.

Exhibit G

BENNETT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Nonmajor Enterprise
ASSETS	
Cash and pooled investments	$ 17,045
Inventories	1,414
Capital assets, net of accumulated depreciation	2,384
Total assets	20,843
LIABILITIES	-
NET ASSETS	
Invested in capital assets, net of related debt	2,384
Unreserved retained earnings	18,459
Total net assets	$ 20,843

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit H

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Nonmajor Enterprise
Operating revenue	
Local sources	
Charges for service	$ 58,689
Rental	4,200
Total operating revenue	62,889
Operating expenses	
Non-instructional programs	
Salaries	32,276
Benefits	4,690
Purchased services	2,923
Supplies	49,511
Depreciation	1,114
Total operating expenses	90,514
Operating loss	(27,625)
Non-operating revenue	
Interest income	79
State sources	1,274
Federal sources	26,010
Total non-operating revenue	27,363
Change in net assets	(262)
Net assets, beginning of year	21,105
Net assets, end of year	$ 20,843

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	$ 58,689
Cash received from rental	4,200
Cash payments to employees for services	(36,966)
Cash payments to suppliers for goods and services	(47,740)
Net cash used in operating activities	(21,817)
Cash flows from non-capital financing activities	
State grants received	1,274
Federal grants received	21,951
Net cash provided by non-capital financing activities	23,225
Cash flows from capital and related financing activities	-
Cash flows from investing activities	
Interest on investments	79
Net increase in cash and cash equivalents	1,487
Cash and cash equivalents, beginning of year	15,558
Cash and cash equivalents, end of year	$ 17,045

Reconciliation of operating loss to net cash used in operating activities

Operating loss	$ (27,625)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,114
Commodities used	4,059
Decrease in inventories	654
Decrease in accounts payable	(19)
Net cash used in operating activities	$ (21,817)

Non-cash investing, capital and financing activities

During the year ended June 30, 2004, the District received $4,059 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit J

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2004

	Private Purpose Trust Scholarships
Additions	
Local sources	
Interest	$ 3
Deductions	-
Excess of additions over deductions	3
Other financing uses	
Operating transfers out	(1,123)
Change in net assets	(1,120)
Net assets, beginning of year	1,120
Net assets, end of year	$ -

See notes to financial statements and Independent Auditor's Report.

Note 1. Summary of Significant Accounting Policies

The Bennett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Bennett, Iowa, and the agricultural territory in Cedar and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Bennett 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 Bennett Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 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 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 other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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.

The Physical Plant & Equipment Levy (PPEL) Fund is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code section 298.2. This fund is created to deposit and expend money from the PPEL levy. The purpose of the fund is to pay the costs of specified major expenditures related to real property and equipment.

The District reports no proprietary funds as major.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in 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 year 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 property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Capital Assets - Capital assets, which include property, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$2,500
Buildings	$2,500
Improvements other than buildings	$2,500
Furniture and equipment:	
School Nutrition Fund equipment	$ 500
Other furniture and equipment	$2,500

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

Asset Class	Useful Life
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means 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 property tax receivables not collected within sixty days after year end.

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

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

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

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

Designated Fund Balance - The District has designated a portion of its fund balance for specific programs.

E. Budgeting 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 amounts budgeted nor did the District exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

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

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

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of $207,630 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Physical Plant and Equipment Levy	$ 15,165

During the year ended June 30, 2003, the District made a long-term debt payment from the Debt Service Fund. The original loan proceeds had been recorded in the Physical Plant and Equipment Levy Fund; therefore, the amount of the payment should have been transferred from the PPEL Fund to the Debt Service Fund when the payment was made. As of June 30, 2004, this transfer had not been made. The transfer will be made during fiscal 2005.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Trust	$ 1,123
Debt Service	Physical Plant and Equipment Levy	81,839
		$ 82,962

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Trust Fund to the General Fund was made to close out the Trust Fund at June 30, 2004.

Note 5. Capital Assets

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

Governmental activities	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	$ 2,210	$ -	$ -	$ 2,210
Land improvement	17,200	-	-	17,200
Total capital assets, not being depreciated	19,410	-	-	19,410
Capital assets being depreciated:				
Buildings and improvements	732,502	-	-	732,502
Furniture and equipment	532,186	19,890	-	552,076
Total capital assets being depreciated	1,264,688	19,890	-	1,284,578
Less accumulated depreciation for:				
Buildings and improvements	666,951	1,790	-	668,741
Furniture and equipment	333,779	55,025	-	388,804
Total accumulated depreciation	1,000,730	56,815	-	1,057,545
Total capital assets being depreciated, net	263,958	(36,925)	-	227,033
Governmental activities capital assets, net	$ 283,368	$ (36,925)	$ -	$ 246,443

Business-type activities				
Furniture and equipment	$ 46,993	$ -	$ -	$ 46,993
Less accumulated depreciation	43,495	1,114	-	44,609
Business-type activities capital assets, net	$ 3,498	$ (1,114)	$ -	$ 2,384

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	$ 27,440
Support services	
Administration	1,380
Operation and maintenance of plant	607
Transportation	23,642
Unallocated depreciation	3,746
Total governmental activities depreciation expense	$ 56,815
Business-type activities	
Food services	$ 1,114

Note 6. 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
General obligation bonds	$ 370,000	$ -	$ (30,000)	$ 340,000	$30,000
Capital loan note	78,222	-	(78,222)	-	-
Totals	$ 448,222	$ -	$(108,222)	$ 340,000	$30,000

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 1997			
	Interest Rates	Interest	Principal	Total
2005	5.25	$ 17,940	$ 30,000	$ 47,940
2006	5.25	16,365	30,000	46,365
2007	5.25	14,790	35,000	49,790
2008	5.25	12,953	35,000	47,953
2009	5.25	11,115	40,000	51,115
2010	5.25	9,015	40,000	49,015
2011	5.25	6,915	40,000	46,915
2012	5.30	4,815	45,000	49,815
2013	5.40	2,430	45,000	47,430
Totals		$ 96,338	$ 340,000	$ 436,338

Capital Loan Notes

On May 3, 1999, the District issued capital loan notes in the amount of $120,000 for the construction of and additions to buildings. The notes bear interest at 4.5 percent and were scheduled to be repaid annually through fiscal 2009. Proceeds from the sale of real estate were used to pay the notes in full during the year ended June 30, 2004.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered 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 years ended June 30, 2004, 2003 and 2002 were $59,247, $60,939 and $60,164 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were $47,708.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before the termination date.

The 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled $69,596 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Accounting Change and Restatements

Governmental Accounting Standards Board (GASB) 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 (GASB) 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.

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

	Fund			
	General	Physical Plant and Equipment	Total Nonmajor Governmental	Total
Net assets June 30, 2003, as previously reported	$ 698,433	$ 123,504	$ 228,107	$ 1,050,044
GASB Interpretation 6 adjustments	-	-	-	-
Net assets July 1, 2003, as restated for governmental funds	$ 698,433	$ 123,504	228,107	1,050,044

GASB 34 adjustments:		
Capital assets, net of accumulated depreciation of $1,000,730		283,368
Long-term liabilities:		
Bonds	$(370,000)	
Capital loan notes	(78,222)	(448,222)
Accrued interest payable		(924)
Net assets July 1, 2003, as restated		$ 884,266

Note 11. Subsequent Event – Local Option Sales and Services Tax

Cedar County voters authorized the Local Option Sales and Services Tax beginning July 1, 2004. This tax is an additional sales tax of 1% on all taxable sales in Cedar County and will continue for 10 years. The revenue from this tax will be distributed to all school districts with students residing in Cedar County on a per student basis. Bennett Community School District anticipates receiving county share $36,900 and state share $26,240 from this tax annually beginning with the fiscal year ending June 30, 2005.

Note 12. Whole-grade Sharing Agreement

In July 2004 the Bennett Community School District entered into a whole-grade sharing agreement with Durant Community School District whereby the District will send their students in grades 7-12 to Durant Community School District for instruction beginning in fiscal 2006. After June 30, 2005, the Bennett Community School District will no longer provide instruction within their district for middle school and high school students. Bennett Community School District will receive funding from the State of Iowa for these students, who will continue to be counted on the District's certified enrollment. In turn, the District will pay tuition for these students to Durant Community School District based upon the amount stated in the whole-grade sharing agreement.

Required Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis)

All Governmental Funds and Proprietary Funds

Required Supplementary Information

For the Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Receipts						
Local sources	$ 1,328,491	$ 62,968	$ 1,391,459	$ 1,427,495	$ 1,427,495	$ (36,036)
State sources	762,765	1,274	764,039	839,184	839,184	(75,145)
Federal sources	90,988	21,951	112,939	73,500	73,500	39,439
Total receipts	2,182,244	86,193	2,268,437	2,340,179	2,340,179	(71,742)
Disbursements						
Instruction	1,346,882	-	1,346,882	1,449,912	1,449,912	103,030
Support services	550,362	-	550,362	552,763	552,763	2,401
Non-instructional programs	-	84,706	84,706	110,000	110,000	25,294
Other expenditures	259,895	-	259,895	337,276	337,276	77,381
Total disbursements	2,157,139	84,706	2,241,845	2,449,951	2,449,951	208,106
Excess of receipts over disbursements	25,105	1,487	26,592	(109,772)	(109,772)	136,364
Other financing sources, net	58,662	-	58,662	1,000	1,000	57,662
Excess of receipts and other financing sources over disbursements	83,767	1,487	85,254	(108,772)	(108,772)	194,026
Balance, beginning of year	1,034,241	15,558	1,049,799	1,242,837	1,242,837	(193,038)
Balance, end of year	$ 1,118,008	$ 17,045	$ 1,135,053	$ 1,134,065	$ 1,134,065	$ 988

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 2,182,244	$ (3,533)	$ 2,178,711
Expenditures	2,157,139	135,843	2,292,982
Net	25,105	(139,376)	(114,271)
Other financing sources	58,662	-	58,662
Beginning fund balances	1,034,241	15,803	1,050,044
Ending fund balances	$ 1,118,008	$ (123,573)	$ 994,435

	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 86,193	$ 4,059	$ 90,252
Expenditures	84,706	5,808	90,514
Net	1,487	(1,749)	(262)
Beginning fund balances	15,558	5,547	21,105
Ending fund balances	$ 17,045	$ 3,798	$ 20,843

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2004, District disbursements did not exceed the amounts budgeted in any of the four functions nor did the General fund disbursements exceed the unspent authorized budget.

Other Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue				
	Management	Student Activity	Capital Projects	Debt Service	Total
ASSETS					
Cash and pooled investments	$ 71,912	$30,298	$ 47,110	$ 56,757	$ 206,077
Receivables					
Property tax					
Delinquent	-	-	-	733	733
Succeeding year	-	-	-	47,900	47,900
Due from other funds	-	-	-	15,165	15,165
Due from other governments	-	-	9,491	-	9,491
Total assets	$ 71,912	$30,298	$ 56,601	$ 120,555	$ 279,366
LIABILITIES AND FUND EQUITY					
Liabilities					
Deferred revenue					
Succeeding year property tax	$ -	$ -	$ -	$ 47,900	$ 47,900
Fund equity					
Unreserved fund balances	71,912	30,298	56,601	72,655	231,466
Total liabilities and fund equity	$ 71,912	$30,298	$ 56,601	$ 120,555	$ 279,366

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue				
	Management	Student Activity	Capital Projects	Debt Service	Total
Revenues					
Local sources					
Local taxes	$ -	$ -	$ 61,605	$ 64,327	$ 125,932
Other	1,154	108,738	-	424	110,316
Total revenues	1,154	108,738	61,605	64,751	236,248
Expenditures					
Current					
Instruction					
Regular instruction	2,413	-	-	-	2,413
Other instruction	-	134,639	-	-	134,639
Support services					
Administrative services	5,796	-	-	-	5,796
Operation and maintenance of plant services	9,266	-	-	-	9,266
Transportation services	5,288	-	-	-	5,288
Other expenditures					
Facilities acquisition & maintenance	-	-	25,672	-	25,672
Long-term debt					
Principal	-	-	-	108,221	108,221
Interest and fiscal charges	-	-	-	23,433	23,433
Total expenditures	22,763	134,639	25,672	131,654	314,728
Excess (deficiency) of revenues over (under) expenditures	(21,609)	(25,901)	35,933	(66,903)	(78,480)
Other financing sources					
Interfund operating transfers	-	-	-	81,839	81,839
Net change in fund balances	(21,609)	(25,901)	35,933	14,936	3,359
Fund balances, beginning of year	93,521	56,199	20,668	57,719	228,107
Fund balances, end of year	$ 71,912	$ 30,298	$ 56,601	$ 72,655	$ 231,466

See accompanying Independent Auditor's Report.

Schedule 3

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2004

	Enterprise		
	School Nutrition	Rental	Total
ASSETS			
Cash and pooled investments	$ 3,718	$ 13,327	$ 17,045
Inventories	1,414	-	1,414
Capital assets, net of accumulated depreciation	2,384	-	2,384
Total assets	7,516	13,327	20,843
LIABILITIES	-	-	-
NET ASSETS			
Invested in capital assets, net of related debt	2,384	-	2,384
Unreserved	5,132	13,327	18,459
Total net assets	$ 7,516	$ 13,327	$ 20,843

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2004

	Enterprise		
	School Nutrition	Rental	Total
Operating revenue			
Local sources			
Charges for service	$ 58,689	$ -	$ 58,689
Rental	-	4,200	4,200
Total operating revenue	58,689	4,200	62,889
Operating expenses			
Non-instructional programs			
Salaries	32,276	-	32,276
Benefits	4,690	-	4,690
Purchased services	1,652	1,271	2,923
Supplies	46,329	3,182	49,511
Depreciation	1,114	-	1,114
Total operating expenses	86,061	4,453	90,514
Operating loss	(27,372)	(253)	(27,625)
Non-operating revenue			
Interest income	-	79	79
State sources	1,274	-	1,274
Federal sources	26,010	-	26,010
Total non-operating revenue	27,284	79	27,363
Change in net assets	(88)	(174)	(262)
Net assets, beginning of year	7,604	13,501	21,105
Net assets, end of year	$ 7,516	$ 13,327	$ 20,843

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2004

	Enterprise		
	School Nutrition	Rental	Total
Cash flows from operating activities			
Cash received from sale of meals	$ 58,689	$ -	$ 58,689
Cash received from rental	-	4,200	4,200
Cash payments to employees for services	(36,966)	-	(36,966)
Cash payments to suppliers for goods and services	(43,268)	(4,472)	(47,740)
Net cash used in operating activities	(21,545)	(272)	(21,817)
Cash flows from non-capital financing activities			
State grants received	1,274	-	1,274
Federal grants received	21,951	-	21,951
Net cash provided by non-capital financing activities	23,225	-	23,225
Cash flows from investing activities			
Interest on investments	-	79	79
Net increase (decrease) in cash and cash equivalents	1,680	(193)	1,487
Cash and cash equivalents, beginning of year	2,038	13,520	15,558
Cash and cash equivalents, end of year	$ 3,718	$ 13,327	$ 17,045
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$(27,372)	$ (253)	$ (27,625)
Adjustments to reconcile operating loss to net cash used in operating activities			
Commodities used	4,059	-	4,059
Depreciation	1,114	-	1,114
Decrease in inventories	654	-	654
Decrease in accounts payable	-	(19)	(19)
Net cash provided by operating activities	$(21,545)	$ (272)	$ (21,817)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received $4,059 of federal commodities.

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2004

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	$ 11,953	$ 21,344	$ 24,138	$ 9,159
Dance/drill team	163	617	767	13
Cheerleading	63	262	246	79
Lock deposit	418	48	-	466
Towel fee	618	656	162	1,112
Yearbook	847	6,238	6,481	604
Band	555	1,219	858	916
Music - band	13,137	35,526	48,343	320
Vocal	451	2,284	2,292	443
Swimming	947	525	868	604
Class of 2004	900	-	900	-
Class of 2005	3,633	4,678	7,484	827
Class of 2006	2,092	60	-	2,152
Class of 2007	27	5,013	2,508	2,532
Class of 2008	17,460	2,053	18,121	1,392
Class of 2009	-	13,887	8,384	5,503
Student council	376	1,775	1,790	361
Drama	1,096	1,128	900	1,324
Spanish	188	312	154	346
Industrial arts club	13	68	81	-
Art club	72	-	72	-
Science fair	38	197	-	235
Marketing	136	3,319	3,066	389
Post prom	516	4,613	4,018	1,111
Music supplies	15	591	603	3
Physical education	106	2	-	108
Paper supplies	284	88	235	137
Safety glasses	150	-	-	150
Interest	(55)	2,235	2,168	12
Totals	$ 56,199	$ 108,738	$ 134,639	$ 30,298

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 7

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	$ 1,128,645	$ 1,089,889	$ 1,062,796	$ 1,059,004
Tuition	22,785	47,525	30,634	25,292
Other	171,469	181,003	151,437	157,999
State sources	764,824	843,289	868,319	953,691
Federal sources	90,988	73,956	48,669	49,263
Total revenues	$ 2,178,711	$ 2,235,662	$ 2,161,855	$ 2,245,249
Expenditures				
Instruction				
Regular instruction	1,030,869	1,049,874	941,556	1,018,353
Special instruction	225,327	170,176	157,272	168,299
Other instruction	211,075	180,141	154,885	164,005
Support services				
Student services	20,708	18,993	31,731	30,508
Instructional staff services	3,967	17,298	9,049	14,132
Administration services	297,488	258,250	245,119	248,730
Operation and maintenance of plant services	171,709	148,872	115,567	141,066
Transportation services	92,746	61,760	70,808	78,658
Central support services	12,171	688	-	447
Other expenditures				
Facilities acquisition	25,672	91,632	87,817	138,713
Long-term debt				
Principal	108,221	41,144	35,664	35,205
Interest and other charges	23,433	25,411	27,204	28,975
AEA flowthrough	69,596	75,763	76,325	81,005
Total expenditures	$ 2,292,982	$ 2,140,002	$ 1,952,997	$ 2,148,096

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC
119 Sycamore Street, Suite 100
Muscatine, Iowa 52761
563-264-1385

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

To the Board of Education
Bennett Community School District
Bennett, Iowa

I have audited the financial statements of the Bennett Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated August 27, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bennett Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that are described below.

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 my audit of the financial statements of the District. Since my 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. Current year statutory comments are detailed as follows:

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. Certified Budget - Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

4. 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.

5. Business Transactions - No business transactions between the District and District officials were noted.

6. 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.

7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.

8. Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.

9. Deposits and Investments - I noted 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.

10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bennett Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Bennett Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Prior year reportable conditions have been resolved except for items A and B. Current year reportable conditions are as follows:

A. Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the bank deposits, bank reconciliations, the posting of cash journals, payroll and payroll records are all done by the same person.

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

Response – We will investigate available alternatives and implement changes where deemed necessary and efficient..

Conclusion – Response accepted.

B. Signature Stamp – It was noted that the signature stamp of the Board President is accessible to and often used by the Board Secretary. This procedure negates the internal control accomplished by the requirement of dual signatures on all District checks.

Recommendation – The signature stamp should be under the control of and used by the Board President or someone other than the Board Secretary. The Board Secretary should not have access to the Board President's signature stamp.

Response – We will investigate alternatives to our current procedures, including eliminating the Board Secretary's access to the Board President's signature stamp.

Conclusion – Response accepted.

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. My 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, I believe the lack of segregation of duties is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Bennett 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.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Bennett Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC
August 27, 2004

BENNETT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2004

This audit was performed by

Kay Chapman, CPA