

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		38
Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information - Budgetary Reporting		40
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	44-45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	46
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		47-48
Schedule of Findings		49-51

BASIC FINANCIAL STATEMENTS

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,666,635	49,052	2,715,687
Receivables:			
Property tax:			
Delinquent	34,402	-	34,402
Succeeding year	2,795,591	-	2,795,591
Accounts	942	-	942
Accrued interest	-	22	22
Due from other governments	345,344	567	345,911
Inventories	-	4,575	4,575
Capital assets, net of accumulated depreciation	9,104,445	34,289	9,138,734
Total assets	14,947,359	88,505	15,035,864
Liabilities			
Salaries and benefits payable	5,056	-	5,056
Deferred revenue:			
Succeeding year property tax	2,795,591	-	2,795,591
Accrued interest payable	19,999	-	19,999
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	305,000	-	305,000
Revenue bonds payable	475,000	-	475,000
Capital leases	20,144	-	20,144
Early retirement	59,551	-	59,551
Compensated absences	30,683	-	30,683
Portion due after one year:			
General obligation bonds payable	2,745,000	-	2,745,000
Revenue bonds payable	2,760,000	-	2,760,000
Capital leases	21,501	-	21,501
Early retirement	161,525	-	161,525
Total Liabilities	9,399,050	-	9,399,050

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,777,800	34,289	2,812,089
Restricted for:			
Phase III	10,347	-	10,347
Gifted and talented program	15,983	-	15,983
Physical plant and equipment levy	211,076	-	211,076
Other special revenue purposes	121,706	-	121,706
Local option sales tax capital projects	182,067	-	182,067
Debt service	770,902	-	770,902
Unrestricted	<u>1,458,428</u>	<u>54,216</u>	<u>1,512,644</u>
Total net assets	<u><u>5,548,309</u></u>	<u><u>88,505</u></u>	<u><u>5,636,814</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	3,276,265	529,950	313,515	-
Special instruction	635,666	-	61,654	-
Other instruction	546,181	231,779	11,831	-
	<u>4,458,112</u>	<u>761,729</u>	<u>387,000</u>	<u>-</u>
Support services:				
Student services	314,519	-	-	-
Instructional staff services	166,126	-	2,430	-
Administration services	767,280	-	-	-
Operation and maintenance of plant services	651,331	-	-	-
Transportation services	327,234	2,707	4,578	-
	<u>2,226,490</u>	<u>2,707</u>	<u>7,008</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	34,163	-	-	-
Long-term debt interest	256,224	-	-	-
AEA flowthrough	253,854	-	253,854	-
Depreciation (unallocated)*	233,685	-	-	-
	<u>777,926</u>	<u>-</u>	<u>253,854</u>	<u>-</u>
Total governmental activities	<u>7,462,528</u>	<u>764,436</u>	<u>647,862</u>	<u>-</u>
Business type activities				
Non-instructional programs:				
Food service operations	332,438	238,708	90,881	-
Vending	1,803	2,168	-	-
Total business-type activities	<u>334,241</u>	<u>240,876</u>	<u>90,881</u>	<u>-</u>
Total	<u>7,796,769</u>	<u>1,005,312</u>	<u>738,743</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,432,800)	-	(2,432,800)
(574,012)	-	(574,012)
<u>(302,571)</u>	<u>-</u>	<u>(302,571)</u>
<u>(3,309,383)</u>	<u>-</u>	<u>(3,309,383)</u>
(314,519)	-	(314,519)
(163,696)	-	(163,696)
(767,280)	-	(767,280)
(651,331)	-	(651,331)
<u>(319,949)</u>	<u>-</u>	<u>(319,949)</u>
<u>(2,216,775)</u>	<u>-</u>	<u>(2,216,775)</u>
(34,163)	-	(34,163)
(256,224)	-	(256,224)
-	-	-
<u>(233,685)</u>	<u>-</u>	<u>(233,685)</u>
<u>(524,072)</u>	<u>-</u>	<u>(524,072)</u>
<u>(6,050,230)</u>	<u>-</u>	<u>(6,050,230)</u>
-	(2,849)	(2,849)
-	365	365
<u>-</u>	<u>(2,484)</u>	<u>(2,484)</u>
<u>(6,050,230)</u>	<u>(2,484)</u>	<u>(6,052,714)</u>
2,218,601	-	2,218,601
210,259	-	210,259
181,449	-	181,449
214,582	-	214,582
860,772	-	860,772
3,256,638	-	3,256,638
16,405	273	16,678
<u>8,384</u>	<u>-</u>	<u>8,384</u>
<u>6,967,090</u>	<u>273</u>	<u>6,967,363</u>
916,860	(2,211)	914,649
<u>4,631,449</u>	<u>90,716</u>	<u>4,722,165</u>
<u>5,548,309</u>	<u>88,505</u>	<u>5,636,814</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,310,571	794,045	40,637	521,382	2,666,635
Receivables:					
Property tax:					
Delinquent	27,402	-	2,668	4,332	34,402
Succeeding year	2,081,757	-	387,418	326,416	2,795,591
Accounts	-	-	-	942	942
Due from other governments	209,726	135,618	-	-	345,344
Total assets	3,629,456	929,663	430,723	853,072	5,842,914
Liabilities and Fund Balances					
Liabilities:					
Salaries and benefits payable	5,056	-	-	-	5,056
Deferred revenue:					
Succeeding year property tax	2,081,757	-	387,418	326,416	2,795,591
Other	191,089	-	-	-	191,089
Total liabilities	<u>2,277,902</u>	<u>-</u>	<u>387,418</u>	<u>326,416</u>	<u>2,991,736</u>
Fund balances:					
Reserved for:					
Phase III	10,347	-	-	-	10,347
Gifted and talented program	15,983	-	-	-	15,983
Reserved for debt service - revenue bonds	-	747,596	-	-	747,596
Reserved for debt service - general obligation bonds	-	-	43,305	-	43,305
Designated for cash flow	750,000	-	-	-	750,000
Undesignated	575,224	182,067	-	526,656	1,283,947
Total fund balances	<u>1,351,554</u>	<u>929,663</u>	<u>43,305</u>	<u>526,656</u>	<u>2,851,178</u>
Total liabilities and fund balances:	3,629,456	929,663	430,723	853,072	5,842,914

NORTH POLK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	2,851,178
--	-----------

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,104,445
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	191,089
---	---------

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	(19,999)
---	----------

Long-term liabilities, including bonds payable, capital leases, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(6,578,404)</u>
---	--------------------

Net assets of governmental activities (Exhibit A)	<u><u>5,548,309</u></u>
--	-------------------------

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,257,903	860,772	210,259	333,996	3,662,930
Tuition	454,535	-	-	-	454,535
Other	88,254	14,164	-	235,018	337,436
State sources	3,767,570	-	-	-	3,767,570
Federal sources	134,184	-	-	-	134,184
Total revenues	<u>6,702,446</u>	<u>874,936</u>	<u>210,259</u>	<u>569,014</u>	<u>8,356,655</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,129,179	-	-	141,183	3,270,362
Special instruction	635,666	-	-	-	635,666
Other instruction	327,553	-	-	216,234	543,787
	<u>4,092,398</u>	<u>-</u>	<u>-</u>	<u>357,417</u>	<u>4,449,815</u>
Support services:					
Student services	314,519	-	-	-	314,519
Instructional staff services	166,126	-	-	-	166,126
Administration services	654,758	-	-	99,159	753,917
Operation and maintenance of plant services	606,214	-	-	36,870	643,084
Transportation services	281,253	-	-	54,908	336,161
	<u>2,022,870</u>	<u>-</u>	<u>-</u>	<u>190,937</u>	<u>2,213,807</u>
Other expenditures:					
Facilities acquisition	-	6,665	-	44,448	51,113
Long-term debt:					
Principal	-	-	555,000	-	555,000
Interest and fiscal charges	-	-	257,537	-	257,537
AEA flowthrough	253,854	-	-	-	253,854
	<u>253,854</u>	<u>6,665</u>	<u>812,537</u>	<u>44,448</u>	<u>1,117,504</u>
Total expenditures	<u>6,369,122</u>	<u>6,665</u>	<u>812,537</u>	<u>592,802</u>	<u>7,781,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>333,324</u>	<u>868,271</u>	<u>(602,278)</u>	<u>(23,788)</u>	<u>575,529</u>
Other financing sources (uses):					
Proceeds from capital lease	-	-	-	41,645	41,645
Operating transfers in	-	-	644,960	-	644,960
Operating transfers out	-	(644,960)	-	-	(644,960)
Total other financing sources (uses)	<u>-</u>	<u>(644,960)</u>	<u>644,960</u>	<u>41,645</u>	<u>41,645</u>
Net change in fund balances	333,324	223,311	42,682	17,857	617,174
Fund balances beginning of year, as restated	1,018,230	706,352	623	508,799	2,234,004
Fund balances end of year	<u>1,351,554</u>	<u>929,663</u>	<u>43,305</u>	<u>526,656</u>	<u>2,851,178</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

Revenues:

Local sources:

Local tax

Tuition

Other

State sources

Federal sources

Total revenues

Expenditures:

Current:

Instruction:

Regular instruction

Special instruction

Other instruction

Support services:

Student services

Instructional staff services

Administration services

Operation and maintenance of plant services

Transportation services

Other expenditures:

Facilities acquisition

Long-term debt:

Principal

Interest and fiscal charges

AEA flowthrough

Total expenditures

Excess (deficiency) of revenues over (under) expenditures

Other financing sources (uses):

Proceeds from capital lease

Operating transfers in

Operating transfers out

Total other financing sources (uses)

Net change in fund balances

Fund balances beginning of year, as restated

Fund balances end of year

NORTH POLK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		617,174
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	134,546	
Depreciation expense	<u>(317,827)</u>	(183,281)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		22,733
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		555,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,313
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	(41,071)	
Compensated absences	<u>(13,363)</u>	(54,434)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		<u>(41,645)</u>
Changes in net assets of governmental activities (Exhibit B)		<u>916,860</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	<u>Enterprise Funds</u>
	<u>Nonmajor Funds</u>
	\$
Assets	
Cash and cash equivalents	49,052
Accounts receivable	-
Accrued interest receivable	22
Due from other governments	567
Inventories	4,575
Capital assets, net of accumulated depreciation	<u>34,289</u>
Total assets	88,505
Liabilities	<u>-</u>
Net assets	
Invested in capital assets, net of related debt	34,289
Unrestricted	<u>54,216</u>
Total net assets	<u><u>88,505</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	Enterprise Funds
	<u>Nonmajor Funds</u>
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>240,876</u>
Operating expenses:	
Non-instructional programs:	
Salaries	124,911
Benefits	18,826
Purchased services	4,880
Supplies	178,646
Depreciation	6,302
Other	676
	<u>334,241</u>
Operating gain (loss)	<u>(93,365)</u>
Non-operating revenue:	
State sources	5,088
Federal sources	85,793
Interest income	273
Total non-operating revenue	<u>91,154</u>
Change in net assets	(2,211)
Net assets beginning of year	<u>90,716</u>
Net assets end of year	<u><u>88,505</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Enterprise Funds Nonmajor Funds \$
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	238,708
Cash received from vending machines	2,168
Cash payments to employees for services	(143,737)
Cash payments to suppliers for goods or services	(152,904)
Net cash used by operating activities	<u>(55,765)</u>
Cash flows from non-capital financing activities:	
State grants received	5,088
Federal grants received	59,965
Net cash provided by non-capital financing activities	<u>65,053</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>261</u>
Net increase (decrease) in cash and cash equivalents	9,549
Cash and cash equivalents at beginning of year	<u>39,503</u>
Cash and cash equivalents at end of year	<u><u>49,052</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(93,365)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	25,261
Depreciation	6,302
Decrease (increase) in inventories	6,037
Net cash used in operating activities	<u><u>(55,765)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$25,261 of federal commodities.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	5,975
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>5,975</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	524
Interest	48
Total additions	<u>572</u>
Deductions:	
Support services:	
Scholarships awarded	<u>175</u>
Change in net assets	397
Net assets beginning of year	<u>5,578</u>
Net assets end of year	<u><u>5,975</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH POLK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual
	Fund Actual	Fund Actual		Original	Final	Variance -
	\$	\$	\$		\$	(Negative)
						\$
Receipts:						
Local sources	4,447,015	241,137	4,688,152	4,449,483	4,449,483	238,669
State sources	3,787,858	5,088	3,792,946	3,914,607	3,914,607	(121,661)
Federal sources	130,443	85,226	215,669	186,000	186,000	29,669
Total receipts	<u>8,365,316</u>	<u>331,451</u>	<u>8,696,767</u>	<u>8,550,090</u>	<u>8,550,090</u>	<u>146,677</u>
Disbursements:						
Instruction	4,478,775	-	4,478,775	4,485,187	4,485,187	6,412
Support services	2,258,163	-	2,258,163	2,687,607	2,687,607	429,444
Non-instructional programs	-	321,902	321,902	288,500	288,500	(33,402)
Other expenditures	1,117,504	-	1,117,504	1,310,120	1,310,120	192,616
Total disbursements	<u>7,854,442</u>	<u>321,902</u>	<u>8,176,344</u>	<u>8,771,414</u>	<u>8,771,414</u>	<u>595,070</u>
Excess (deficiency) of receipts over (under) disbursements	510,874	9,549	520,423	(221,324)	(221,324)	741,747
Other financing sources (uses) net	<u>41,645</u>	<u>-</u>	<u>41,645</u>	<u>-</u>	<u>-</u>	<u>41,645</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	552,519	9,549	562,068	(221,324)	(221,324)	783,392
Balance beginning of year	<u>2,114,116</u>	<u>39,503</u>	<u>2,153,619</u>	<u>1,093,206</u>	<u>1,093,206</u>	<u>1,060,413</u>
Balance end of year	<u><u>2,666,635</u></u>	<u><u>49,052</u></u>	<u><u>2,715,687</u></u>	<u><u>871,882</u></u>	<u><u>871,882</u></u>	<u><u>1,843,805</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
	\$	\$	\$
Revenues	8,365,316	(8,661)	8,356,655
Expenditures	7,854,442	(73,316)	7,781,126
Net	510,874	64,655	575,529
Other financing sources (uses) net	41,645	-	41,645
Beginning fund balances	2,114,116	119,888	2,234,004
Ending fund balances	<u>2,666,635</u>	<u>184,543</u>	<u>2,851,178</u>

	<u>Proprietary Funds</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
	\$	\$	\$
Revenues	331,451	579	332,030
Expenditures	321,902	12,339	334,241
Net	9,549	(11,760)	(2,211)
Beginning fund balances	39,503	51,213	90,716
Ending fund balances	<u>49,052</u>	<u>39,453</u>	<u>88,505</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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

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

During the year ended June 30, [2004](#), disbursements in the [non-instructional programs](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
Assets	\$	\$	\$	\$
Cash and pooled investments	190,902	121,706	208,774	521,382
Receivables:				
Property tax:				
Delinquent	2,030	-	2,302	4,332
Succeeding year	151,000	-	175,416	326,416
Accounts	942	-	-	942
Total assets	<u>344,874</u>	<u>121,706</u>	<u>386,492</u>	<u>853,072</u>
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	151,000	-	175,416	326,416
Fund balances:				
Unreserved fund balance	<u>193,874</u>	<u>121,706</u>	<u>211,076</u>	<u>526,656</u>
Total liabilities and fund balances	<u>344,874</u>	<u>121,706</u>	<u>386,492</u>	<u>853,072</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	152,547	-	181,449	333,996
Other	1,811	232,457	750	235,018
Total revenues	<u>154,358</u>	<u>232,457</u>	<u>182,199</u>	<u>569,014</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	56,610	-	84,573	141,183
Other instruction	-	216,234	-	216,234
Support services:				
Administration services	97,494	-	1,665	99,159
Operation and maintenance of plant services	-	-	36,870	36,870
Transportation services	2,389	-	52,519	54,908
Non-instructional programs				
Other expenditures:				
Facilities acquisition	-	-	44,448	44,448
Total expenditures	<u>156,493</u>	<u>216,234</u>	<u>220,075</u>	<u>592,802</u>
Excess (deficiency) of revenues over (under) expenditures	(2,135)	16,223	(37,876)	(23,788)
Other financing sources (uses):				
Proceeds from capital lease	-	-	41,645	41,645
Net change in fund balances	(2,135)	16,223	3,769	17,857
Fund balances beginning of year, as restated	<u>196,009</u>	<u>105,483</u>	<u>207,307</u>	<u>508,799</u>
Fund balances end of year	<u>193,874</u>	<u>121,706</u>	<u>211,076</u>	<u>526,656</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Athletic Fund				
All sports	17,010	27,690	26,178	18,522
Weight lifting	516	-	159	357
Concessions equipment	100	-	-	100
Cross country	1,331	369	396	1,304
Candy machine	1,735	420	663	1,492
Cheerleading	90	8,196	7,964	322
Softball dugouts	3,260	-	-	3,260
Senior moms	22	-	-	22
Boys tennis	632	320	419	533
Boys basketball	1,425	7,818	4,825	4,418
Football	8,927	24,580	25,781	7,726
Soccer	148	4,467	3,854	761
Baseball	677	18,360	19,122	(85)
Boys track	223	3,828	2,842	1,209
Wrestling	2,142	3,786	5,206	722
Girls basketball	3,173	5,632	5,027	3,778
Volleyball	7,749	5,301	11,395	1,655
Girls tennis	1,325	351	590	1,086
Softball	997	9,700	8,833	1,864
Girls track	2,497	2,922	3,034	2,385
June 30, 2003 accounts payable	(3,923)	-	(3,923)	-
	<u>50,056</u>	<u>123,740</u>	<u>122,365</u>	<u>51,431</u>
Activity Fund				
Interest on investments	277	350	78	549
Elementary field trip	15,263	2,373	2,599	15,037
Camp Hantesa	1,160	4,239	3,574	1,825
Yearbook	1,080	11,857	10,026	2,911
Elementary yearbook	430	3,035	2,993	472
National Honor Society	377	399	434	342
Student council	3,322	4,614	5,113	2,823
Drama	982	469	252	1,199
Speech	49	361	410	-
Musical	-	825	99	726
Dance company	1,213	929	1,373	769
Flags	619	2,111	2,343	387
FFA	4,983	32,032	28,731	8,284
Horticulture	1,853	1,111	970	1,994
Tag/mock trial	945	3,196	3,184	957
National Art Honor Society	-	499	465	34

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Spanish club	562	398	518	442
Class of 2003	1,339	-	1,339	-
Class of 2004	2,549	27,719	29,061	1,207
Class of 2005	4,846	2,816	944	6,718
Class of 2006	5,913	1,035	41	6,907
Class of 2007	4,619	1,586	24	6,181
Class of 2008	2,889	3,753	177	6,465
Class of 2009	473	2,691	166	2,998
Junior-Senior high academic excellence	504	319	658	165
Elementary band	883	-	-	883
June 30, 2003 accounts payable	(1,703)	-	(1,703)	-
	<u>55,427</u>	<u>108,717</u>	<u>93,869</u>	<u>70,275</u>
Total	<u>105,483</u>	<u>232,457</u>	<u>216,234</u>	<u>121,706</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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	3,662,930	3,400,886	3,148,976	3,000,943
Tuition	454,535	350,418	336,037	319,132
Other	337,436	404,360	361,878	480,634
State sources	3,767,570	3,742,178	3,517,337	3,551,572
Federal sources	134,184	141,844	128,611	92,544
Total revenues	<u>8,356,655</u>	<u>8,039,686</u>	<u>7,492,839</u>	<u>7,444,825</u>
Expenditures:				
Instruction:				
Regular instruction	3,270,362	3,062,062	3,054,067	3,049,409
Special instruction	635,666	631,118	671,952	591,566
Other instruction	543,787	529,360	568,510	563,125
Support services:				
Student services	314,519	253,496	261,121	252,469
Instructional staff services	166,126	186,801	188,545	202,694
Administration services	753,917	723,412	698,688	680,938
Operation and maintenance of plant services	643,084	562,503	494,108	519,325
Transportation services	336,161	266,483	291,179	327,295
Central support services				
Non-instructional programs	-	2,333	2,188	1,764
Other expenditures:				
Facilities acquisition	51,113	170,455	3,937,611	827,563
Long-term debt:				
Principal	555,000	660,000	630,000	220,000
Interest and other charges	257,537	374,900	366,780	215,475
AEA flowthrough	253,854	261,812	251,140	253,409
Total expenditures	<u>7,781,126</u>	<u>7,684,735</u>	<u>11,415,889</u>	<u>7,705,032</u>

NORTH POLK

Adjustments from Modified Accrual to Full Accrual
June 30, 2004

	Exhibits C and E \$	Prior year District Wide Adj. To Net Assets - Debit (Credit) *	AJE from Exhibit E to Exhibit B		Exhibit B Total \$
			Debit \$	Credit \$	
Assets					
Cash and cash equivalents:					
Other	2,666,635				2,666,635
Receivables:					
Property tax:					
Delinquent	34,402				34,402
Succeeding year	2,795,591				2,795,591
Accounts	942				942
Due from other governments	345,344				345,344
Capital assets, net of accumulated depreciation		9,287,726	134,546	317,827	9,104,445
Total assets	5,842,914	9,287,726			14,947,359
Liabilities					
Salaries and benefits payable	5,056				5,056
Accrued interest payable		21,312	1,313		19,999
Deferred revenue:					
Succeeding year property tax	2,795,591				2,795,591
Other	191,089	(168,356)	22,733		-
Long-term liabilities					
Bonds payable		3,160,000	110,000		3,050,000
Revenue bonds		3,680,000	445,000		3,235,000
Capital leases		-		41,645	41,645
Early retirement		180,005		41,071	221,076
Compensated absences		17,320		13,363	30,683
Total Liabilities	2,991,736	6,890,281			9,399,050
Net assets	2,851,178	2,397,445			5,548,309

NORTH POLK

Adjustments from Modified Accrual to Full Accrual
June 30, 2004

	Exhibits C and E	Prior year District Wide Adj. To Net Assets - Debit (Credit) *	AJE from Exhibit E to Exhibit B		Exhibit B Total
			Debit	Credit	
Revenues:					
Local sources:					
Local tax	3,662,930			22,733	3,685,663
Tuition	454,535				454,535
Other	337,436				337,436
State sources	3,767,570				3,767,570
Federal sources	134,184				134,184
Total revenues	8,356,655				8,379,388
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,270,362		70,499	64,596	3,276,265
Special instruction	635,666				635,666
Other instruction	543,787		2,394		546,181
	4,449,815				4,458,112
Support services:					
Student services	314,519				314,519
Instructional staff services	166,126				166,126
Administration services	753,917		13,363		767,280
Operation and maintenance of plant services	643,084		8,247		651,331
Transportation services	336,161		44,073	53,000	327,234
	2,213,807				2,226,490
Other expenditures:					
Facilities acquisition	51,113			16,950	34,163
Long-term debt:					
Principal	555,000			555,000	-
Interest and fiscal charges	257,537			1,313	256,224
AEA flowthrough	253,854				253,854
Unallocated depreciation			233,685		233,685
	1,117,504				777,926
Total expenditures	7,781,126				7,462,528
Excess (deficiency) of revenues over (under) exp	575,529				916,860
Other financing sources (uses):					
Proceeds form long-term loans	41,645		41,645		-
Operating transfers in	644,960				644,960
Operating transfers out	(644,960)				(644,960)
Total other financing sources (uses)	41,645				-
Net changes in fund balances	617,174				916,860
Fund balances beginning of year, as restated	2,234,004				4,631,449
Fund balances end of year	2,851,178		1,127,498	1,127,498	5,548,309

* Complete this column to adjust Exhibit C balances for prior year District-wide adjustments.
(exclude prior year internal service fund adjustments)

NORTH POLK

Allocation of Revenues for Exhibit B

Year ended June 30, 2004

	Amounts from CAR						Total (should equal Exhibit E)	Adjustments to full accrual basis	Total Revenues for Exhibit B	Type of Revenue for Exhibit B	Expense classification
	General	Manage	Activity	PPEL	DS	Cap Proj					
Revenues:											
Local sources:											
Local tax:											
Property tax	2,066,054	152,547		181,449	210,259		2,610,309		2,610,309	general	n/a
Income surtax	191,849						191,849	22,733	214,582	general	n/a
Local option sales and services tax						860,772	860,772		860,772	general	n/a
Mobile home tax							-		-	general	n/a
	<u>2,257,903</u>	<u>152,547</u>	<u>-</u>	<u>181,449</u>	<u>210,259</u>	<u>860,772</u>	<u>3,662,930</u>		<u>3,685,663</u>		
Other local sources:											
Tuition from other di	46,527						46,527		46,527	charges for services	
Open enrollment, re	408,008						408,008		408,008	charges for services	reg inst
Transportation fees	2,707						2,707		2,707	charges for services	transp
Interest on investme	8,428	870	678	649		5,780	16,405		16,405	general	n/a
Student activities			231,779				231,779		231,779	charges for services	other inst
Contributions	2,746						2,746		2,746	operation grant	reg inst
Textbook rents	33,662						33,662		33,662	charges for services	reg inst
Refund of prior year's expenditures						8,384	8,384		8,384	general	n/a
Other local revenue	40,711	941		101		-	41,753		41,753	charges for services	reg inst
	<u>542,789</u>	<u>1,811</u>	<u>232,457</u>	<u>750</u>	<u>-</u>	<u>14,164</u>	<u>791,971</u>		<u>791,971</u>		
Total local revenue	<u>2,800,692</u>	<u>154,358</u>	<u>232,457</u>	<u>182,199</u>	<u>210,259</u>	<u>874,936</u>	<u>4,454,901</u>		<u>4,477,634</u>		
State sources:											
State foundation aid	3,212,598						3,212,598		3,212,598	general	n/a
Instructional support sta	44,040						44,040		44,040	general	n/a
Educational excellence programs:											
Phase I	34,877						34,877		34,877	operating grants	reg instr
Phase II	75,834						75,834		75,834	operating grants	reg instr
AEA flow-through	253,854						253,854		253,854	operating grants	aea flowthroug
Transportation aid for nc	4,578						4,578		4,578	operating grants	transp
Vocational aid	5,263						5,263		5,263	operating grants	other instr
Evaluator training	2,000						2,000		2,000	operating grants	reg instr
Iowa early intervention t	49,537						49,537		49,537	operating grants	reg instr
Beginning teacher ment	11,700						11,700		11,700	operating grants	reg instr
Salary improvement pro	73,289						73,289		73,289	operating grants	reg instr
Other state sources							-		-	operating grants	reg instr
	<u>3,767,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,767,570</u>		<u>3,767,570</u>		
Federal sources:											

NORTH POLK

Allocation of Revenues for Exhibit B

Year ended June 30, 2004

	Amounts from CAR						Total (should equal Exhibit E)	Adjustments to full accrual basis	Total Revenues for Exhibit B	Type of Revenue for Exhibit B	Expense classification
	General	Manage	Activity	PPEL	DS	Cap Proj					
Innovative education prc	4,706						4,706		4,706	operating	reg instr
Safe and healthy kids	26,166						26,166		26,166	operating	reg instr
Title I	30,018						30,018		30,018	operating	sp instr
Special education grant:	31,636						31,636		31,636	operating	sp instr
Carl D. Perkins vocatior	6,568						6,568		6,568	operating	other instr
Dwight D. Eisenhower n	2,430						2,430		2,430	operating	instr staff sup
Improving teacher qualit	22,873						22,873		22,873	operating	reg instr
Assessment	5,730						5,730		5,730	operating	reg instr
Safe and drug free scho	4,057						4,057		4,057	operating	reg instr
Other federal sources							-		-	operating	
	<u>134,184</u>	-	-	-	-	-	<u>134,184</u>		<u>134,184</u>		
Total revenue	6,702,446	154,358	232,457	182,199	210,259	874,936	8,356,655		8,379,388		
Proceeds from long-term loans				41,645			41,645	(41,645)	-	general (balance sb 0)	n/a
Operating transfers in					644,960		644,960		644,960	transfers	n/a
Operating transfers out							-		-	transfers	n/a
Total	6,702,446	154,358	232,457	223,844	855,219	874,936	9,043,260	(41,645)	9,024,348		

NORTH POLK COMMUNITY SCHOOL DISTRICT
 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	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$		\$		\$		\$	
Assets								
Cash		-					-	-
Due form other governments		-					-	-
Total assets	-	-	-	-	-	-	-	-
Liabilities								
Accounts payable		-				-	-	-
Due to other governments							-	-
Total liabilities	-	-	-	-	-	-	-	-

(May use save format as last year, consider combining columns for insignificant items.)

NORTH POLK COMMUNITY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY04	
School Breakfast Program	10.553	FY04	_____
			-
Food Donation (Noncash)	10.550	FY04	
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	XXXX-G-04	
Title IIA Federal Teacher Quality Program	84.367	FY04	
Grants for State Assessments and Related Activities	84.369	FY04	
Technology Literacy Challenge Fund Grants	84.318	FY04	
Innovative Education Program Strategies (Title V I)	84.298	FY04	
Safe & Drug Free Schools and Communities - State	84.186	FY04	
Vocational Education - Basic Grants to States	84.048	FY04	
Area Education Agency XI:			
Title I Accountability Grants	84.348	FY04	
Eisenhower Professional Development - State Grants	84.281	FY04	
Special Education Grants to States	84.027	FY04	
Waukee Community School District:			
Vocational Education - Basic Grants to States	84.048	FY04	
Iowa Public Television:			
Star Schools	84.203	FY04	_____
Total			_____ _____
			-

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

Independent Auditor's Report

To the Board of Education of
North Polk 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 North Polk Community School District, Alleman, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 North Polk 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 9 to the financial statements, during the year ended June 30, 2004, North Polk Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 30, 2004, on our consideration of North Polk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 North Polk 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 two years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2001, (none of which are presented herein) were audited by other auditors who expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Polk 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 increased from \$6,438,324 in fiscal 2003 to \$6,702,446 in fiscal 2004, while General Fund expenditures increased from \$6,154,167 in fiscal 2003 to \$6,369,122 in fiscal 2004. The District's General Fund balance increased from \$1,018,230 in fiscal 2003 to \$1,351,554 in fiscal 2004, a 32.74% increase.
- The District increased its general fund balance by \$333,324 as a result of increased revenues and by monitoring and partially decreasing general fund line-item expenditures due to the decrease in the amount of State Foundation Aid in October 2003.

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 North Polk 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 North Polk 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 North Polk Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

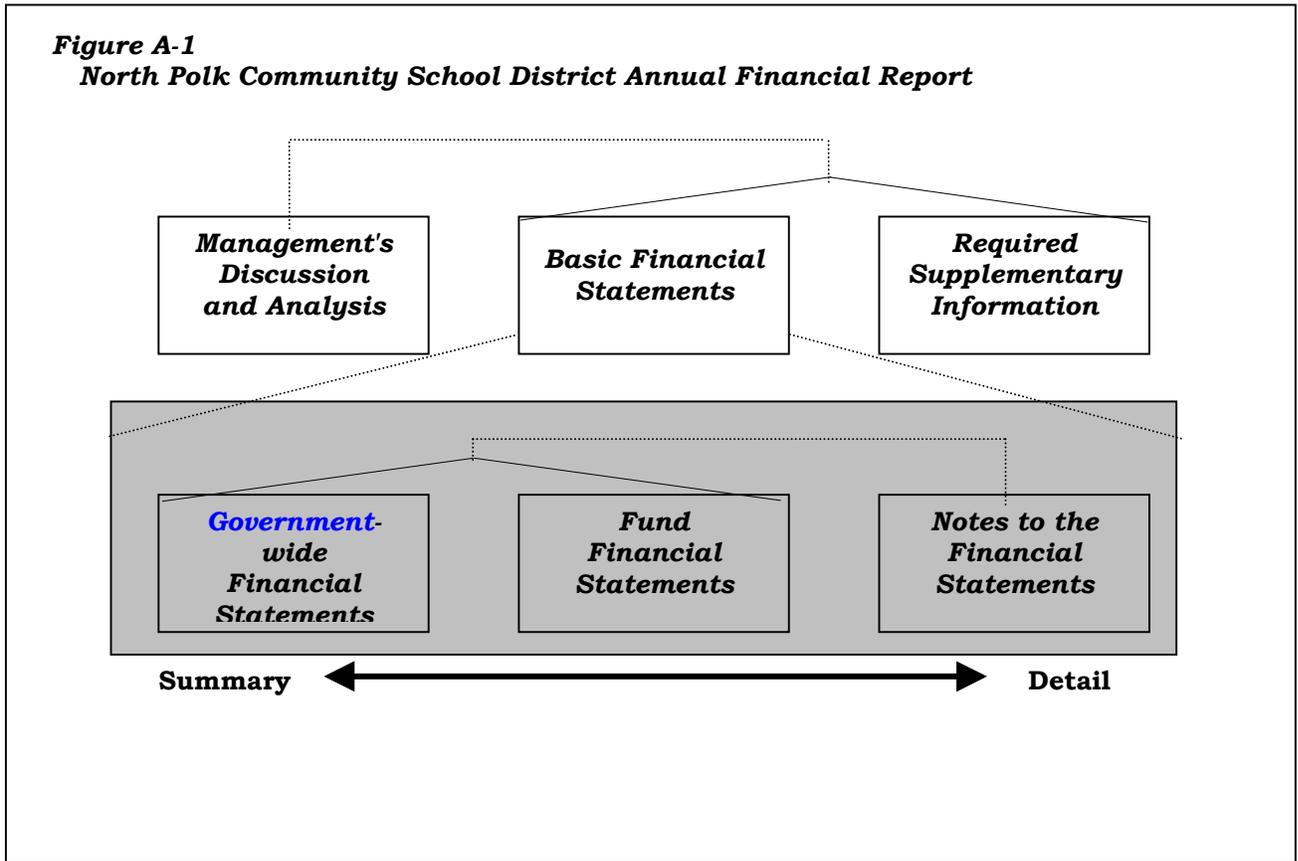


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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	<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 fund 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 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 is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for 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 and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue

collected and held on behalf of other entities. North Polk School does not have any agency funds at this time.

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 includes 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.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District	
	June 30,		June 30,		June 30,	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 5,842,914	\$ 5,059,494	\$ 54,216	\$ 50,125	\$ 5,897,130	\$ 5,109,619
Capital Assets	\$ 9,104,445	\$ 9,287,726	\$ 34,289	\$ 40,591	\$ 9,138,734	\$ 9,328,317
Total Assets	\$ 14,947,359	\$ 14,347,220	\$ 88,505	\$ 90,716	\$ 15,035,864	\$ 14,437,936
Long-Term Liabilities	\$ 5,688,026	\$ 6,419,094	\$ -	\$ -	\$ 5,688,026	\$ 6,419,094
Other Liabilities	\$ 3,711,024	\$ 3,296,677	\$ -	\$ -	\$ 3,711,024	\$ 3,296,677
Total Liabilities	\$ 9,399,050	\$ 9,715,771	\$ -	\$ -	\$ 9,399,050	\$ 9,715,771
Net Assets:						
Invested in Capital Assets, net of related debt	\$ 2,777,800	\$ 2,447,726	\$ 34,289	\$ 40,591	\$ 2,812,089	\$ 2,488,317
Restricted	\$ 1,312,081	\$ 1,107,738	\$ 54,216	\$ 50,125	\$ 1,312,081	\$ 1,107,738
Unrestricted	\$ 1,458,428	\$ 1,075,985	\$ 88,505	\$ 90,716	\$ 1,512,644	\$ 1,126,110
Total Net Assets	\$ 5,548,309	\$ 4,631,449	\$ 88,505	\$ 90,716	\$ 5,636,814	\$ 4,722,165

The District's combined net assets increased by nearly 19.37%, or approximately \$914,649, 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 increased approximately \$204,343, or 18.45% over the prior year. The increase was primarily a result of increased receipts from the local option sales and services taxes.

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 – increased approximately \$386,534, or 34.32%. This increase in unrestricted net assets was a result of the District reducing actual expenditures over the past year.

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

Figure A-4
Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total District</u>
General Revenue:			
Property Taxes Levied for:			
General Purposes	2,218,601		2,218,601
Debt Service	210,259		210,259
Capital Outlay	181,449		181,449
Income Surtax	214,582		214,582
Local Option Sales and Services Tax	860,772		860,772
Unrestricted State Grants	3,256,638		3,256,638
Unrestricted Investment Earnings	16,405	273	16,678
Other	<u>8,384</u>		<u>8,384</u>
Total General Revenues	6,967,090	273	6,967,363
Net Program Expenses:			
Governmental Activities			
Instruction	(3,309,383)		(3,309,383)
Support Services	(2,216,775)		(2,216,775)
Other Expenditures	(524,072)		(524,072)
Total Net Governmental Expenses	<u>(6,050,230)</u>		<u>(6,050,230)</u>
Business Type Activities			
Non-Instructional Programs:			
Food Service Operations		(2,849)	(2,849)
Vending		<u>365</u>	<u>365</u>

Total Business Type Activities	_____	(2,484)	(2,484)
Total Net Expenses	(6,050,230)	_____	(6,050,230)
Change in Net Assets	916,860	(2,211)	914,649

Property tax and unrestricted state grants account for 84.21% of the total revenue. The District's net expenses primarily relate to instruction and support services, which account for 91.34% of the total net expenses.

Governmental Activities

The governmental expenses, in Figure A-4, are shown net of revenues from charges for services and operating grants. During fiscal year 2004 the District had \$764,729 of revenue from charges for services which mainly consist of tuition revenues, textbook fees and revenues from student activities. The District had \$647,882 of revenues from operating grants during fiscal year 2004. Operating grants are federal and state grants that must be used for a specific purpose.

Revenues exceeded net expenses in the governmental funds by \$916,860. During the year the District used property tax and sales tax revenues to repay \$555,000 of bond principal, which contributed to the increase in net assets. The payment of principal is not reported as an expense, but instead reduces long-term debt liability on the statement of net assets. By controlling expenses the District increased cash balances, which also contributed to the increase in net assets

Business Type Activities

Revenues for business type activities were \$332,030 and expenses were \$334,241. 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.

The District has not increased meal prices since the 2001/2002 school year.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Polk 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 \$2,851,178, well above last year's ending fund balances of \$2,215,007.

Governmental Fund Highlights

- The General Fund balance increased from \$1,018,230 to \$1,351,554, due in part to the District maintaining a line-item expenditure budget.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$207,307 in fiscal 2003 to \$211,076 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.

-
- The Management Fund balance decreased \$2,135 from a balance of \$196,009 in fiscal year 200 to \$193,874 in fiscal year 2004. The decrease in fund balance was a result of increased expenditures requiring the District to use carryover fund balance to meet its financial obligations during the fiscal year.
 - The Capital Projects Fund balance increased from \$706,352 in fiscal year 2003 to \$929,663 in fiscal year 2004. The increase was a result of excess local option sales and services tax collections during the year.

Proprietary Fund Highlights

School Nutrition Fund and Vending Fund net assets decreased from \$90,716 at June 30, 2003 to \$88,505 at June 30, 2004, representing a decrease of approximately 2.43%. For fiscal 2004, the District's operating expenses increased resulting in the decrease in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$146,677 more than budgeted receipts, a variance of 1.72%. The most significant variances resulted from the District receiving less in state aid than originally anticipated and more in local sources than expected.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$9,104,445, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This represents a net decrease of 1.97% from last year. The District spent approximately \$135,000 during fiscal year 2004 to acquire a bus, a computer lab and an irrigation system. More detailed information about capital assets is available in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2004, the District had \$6,578,404 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of \$458,921, approximately 6.52% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In April 2003 the District issued \$3,160,000 of general obligation refunding bonds with interest rates ranging between 1.20% to 3.20%. The District issued the bonds to advance refund

\$3,125,000 of the outstanding 1994 general obligation bonds with interest rates of 4.25% to 5.00%. The District reduced the outstanding principal on the general obligation refunding bonds by \$110,000 during the 2003/2004 school year.

During fiscal year 2001 local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure to Central Elementary in Alleman and West Elementary in Polk City. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The District reduced the outstanding principal on the local option sales and services tax revenue bonds by \$445,000 during the 2003/2004 school year.

Figure A-5
Outstanding Long-Term Obligations

	<u>Total School District</u>		<u>Total Change</u>	
	June 30,		June 30,	
	2004	2003	2003-2004	
General Obligation Bonds	\$ 3,050,000	\$ 3,160,000	\$ (110,000)	-3.48%
Local Option Sales and Services		\$ 3,680,000		
Tax Revenue Bonds	\$ 3,235,000	\$ -	\$ (445,000)	-12.09%
Capital Leases	\$ 41,645	\$ 180,005	\$ 41,645	100.00%
Early Retirement	\$ 221,076	\$ 17,320	\$ 41,071	22.82%
Compensated Absences	\$ 30,683	\$ 7,037,325	\$ 13,363	77.15%
	<u>\$ 6,578,404</u>	<u>\$ 7,037,325</u>	<u>\$ (458,921)</u>	<u>-6.52%</u>

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 increased enrollment for the past several years, the District expects continued increased enrollment due to new housing developments in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal year 2005 at a cost of \$55,000. To pay for this bus, the District will use resources from the Physical Plant and Equipment Levy Fund.
- Fiscal 2004 was the last year of a two-year contract with the North Polk Education Association (NPEA). 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.

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 Kent E. Bultman, District Secretary/Treasurer and Business Manager, North Polk Community School District, 313 NE 141st Avenue, Alleman, Iowa, 50007.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

North Polk 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 Cities of Alleman and Polk City Iowa and the predominately agricultural territory in a portion of Polk, Story and Boone 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, North Polk 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 North Polk Community School District has no component units that 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 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 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 that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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.

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

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

The District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for food service operations and the Enterprise, Vending Fund, which is used to account for revenues and expenses of vending machines.

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 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 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 fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 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	-
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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	5-12 years

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs function exceeded the amount budgeted.

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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1 which means that the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Investments are stated at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

	<u>Fair Value</u>
	\$
Goldman Sachs Treasury Instrument Fund	614,151

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$2,008,009 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 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.

3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	644,960

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

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

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	411,634	-	-	411,634
Capital assets being depreciated:				
Buildings	11,641,755	-	-	11,641,755
Improvements other than buildings	-	16,950	-	16,950
Furniture and equipment	1,503,434	117,596	-	1,621,030
Total capital assets being deprec.	<u>13,145,189</u>	<u>134,546</u>	-	<u>13,279,735</u>
Less accumulated depreciation for:				
Buildings	2,952,519	232,837	-	3,185,356
Improvements other than buildings	-	848	-	848
Furniture and equipment	1,316,578	84,142	-	1,400,720
Total accumulated depreciation	<u>4,269,097</u>	<u>317,827</u>	-	<u>4,586,924</u>
Total capital assets being depreciated, net	<u>8,876,092</u>	<u>(183,281)</u>	-	<u>8,692,811</u>
Governmental activities capital				

assets, net	<u>9,287,726</u>	<u>(183,281)</u>	<u>-</u>	<u>9,104,445</u>
	Balance			Balance End
	Beginning of	Increases	Decreases	of Year
	Year			
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	73,025	-	-	73,025
Less accumulated depreciation	<u>32,434</u>	<u>6,302</u>	<u>-</u>	<u>38,736</u>
Business type activities capital				
assets, net	<u>40,591</u>	<u>(6,302)</u>	<u>-</u>	<u>34,289</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	29,428
Other	2,394
Support Services:	
Operation and maintenance of plant services	8,247
Transportation	<u>44,073</u>
	84,142
Unallocated depreciation	<u>233,685</u>
Total depreciation expense – governmental activities	<u>317,827</u>
Business type activities:	
Food services	<u>6,302</u>

5. Long-Term Liabilities

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

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
General obligation bonds	3,160,000	-	110,000	3,050,000	305,000
Local option sales and services					
tax revenue bonds	3,680,000	-	445,000	3,235,000	475,000
Capital leases	-	41,645	-	41,645	20,144
Early retirement	180,005	86,982	45,911	221,076	59,551
Compensated absences	17,320	30,683	17,320	30,683	30,683
Total	<u>7,037,325</u>	<u>159,310</u>	<u>618,231</u>	<u>6,578,404</u>	<u>890,378</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age **fifty-five** and must have completed **ten** years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include a cash payment of the lesser of \$10,000 or 30% of current salary. **Benefits also include health insurance until age 65.** Early retirement expenditures for the year ended June 30, 2004 totaled \$45,911.

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 April, 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	1.30	305,000	81,418	386,418
2006	2.20	310,000	77,453	387,453
2007	2.45	315,000	70,633	385,633
2008	2.65	325,000	62,915	387,915
2009	2.90	335,000	54,303	389,303
2010-2013	2.95-3.2	1,460,000	115,108	1,575,108
		<u>3,050,000</u>	<u>461,830</u>	<u>3,511,830</u>

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,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	4.50	475,000	139,186	614,186
2006	4.50	500,000	117,810	617,810
2007	4.10	530,000	95,310	625,310
2008	4.15	550,000	73,580	623,580
2009	4.25	575,000	50,756	625,756
2010	4.35	605,000	26,318	631,318
		<u>3,235,000</u>	<u>502,960</u>	<u>3,737,960</u>

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 the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

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

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.

- \$450,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a sinking fund with a trustee. Money in the sinking account shall be used to pay the interest and principal on the bonds. Surplus monies in the sinking fund may be transferred to the capital projects fund to be used for any lawful purpose. The sinking fund is part of the District's Capital Project Fund.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2004.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2005	22,951
	2006	22,951
Minimum Lease Payments		<u>45,902</u>
Less Amount Representing Interest		<u>4,257</u>
Present Value of Minimum Lease Payments		<u>41,645</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual 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 contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$237,436, \$231,449, and \$230,683 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$253,854 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Accounting Change and Restatement

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				Total
	General	Capital Projects	Debt Service	Nonmajor	
	\$	\$	\$	\$	\$
Net assets, June 30, 2003, As previously reported	1,018,230	706,352	623	489,802	2,215,007
GASB Interpretation 6 adjustments	-	-	-	18,997	18,997
Net assets, July 1, 2003, as restated for Governmental funds	<u>1,018,230</u>	<u>706,352</u>	<u>623</u>	<u>508,799</u>	2,234,004
GASB 34 adjustments:					
Capital assets net of accumulated depreciation of \$4,269,097					9,287,726
Long-term liabilities:					
General obligation bonds				3,160,000	
Revenue bonds				3,680,000	
Compensated absences				17,320	
Early retirement				<u>180,005</u>	(7,037,325)
Accrued interest payable					(21,312)
Deferred revenue					<u>168,356</u>
Net assets, July 1, 2003, as restated					<u>4,631,449</u>

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

To the Board of Education of the
North Polk Community School District:

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

Compliance

As part of obtaining reasonable assurance about whether North Polk 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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 items 04-II-J, and 04-II-K.

Internal Control over Financial Reporting

In planning and performing our audit, we considered North Polk Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, 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 I 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, of the reportable conditions described above, we believe items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [North Polk](#) 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 [North Polk](#) 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

[September 30, 2004](#)

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing computer signed checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

04-I-B Supporting Documentation: We tested seventeen Student Activity Fund expenditures and twenty-six General Fund Expenditures. We noted three Student Activity Fund disbursements and one General Fund disbursement that were missing or had incomplete supporting documentation.

Recommendation: The District should have receipts, invoices, contracts or other detailed supporting documentation before making any payments.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A 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.

04-II-B Certified Budget: Disbursement for the year ended June 30, 2004, exceeded the amount budgeted in the non-instructional programs function. We also noted that the budget for fiscal year 2004 was certified after the due date.

Recommendation: The certified budget should have been adopted before the due date and then amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

District Response: The 2004 budget was certified late because the original published notice for the budget hearing was not in a newspaper with distribution to all residents. The budget hearing had to be postponed until another notice was published. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expenses: 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.

04-II-E Business Transactions: We noted no business transactions between the District and District officials or employees.

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

04-II-G Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

04-II-I Deposits and Investments: We 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.

04-II-J Certified Annual Report (CAR): The CAR was not filed with the Department of Education in a timely manner. We reviewed a draft copy of the CAR, and noted no significant deficiencies in the amounts reported.

Recommendation: The District should file their CAR by the September 15th due date.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

District Response: Our audit date was close to the filing date for the CAR. We waited to file the CAR until after the audit. We intend to file future CAR's by the due date.

Conclusion: Response accepted.

04-II-K

Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extra-curricular student activity program. We noted a field trip account in the Student Activity Fund. Field trips should be accounted for in the General Fund.

Recommendation: We recommend that the District review the types of transactions posted to the Student Activity Fund and transfer monies that are not for extra-curricular student activities to the General Fund.

District Response: We will review the Student Activity Fund accounts and make any necessary adjustments.

Conclusion: Response accepted.

04-II-L

Physical Plant and Equipment Levy Fund: The PPEL Fund may be used to purchase a single unit of equipment with a price exceeding \$500. During Fiscal year 2004 the PPEL Fund was used to purchase approximately \$15,000 of class room furniture with each piece priced at less than \$500.

Recommendation: The District should review the types of expenditures that may be made from the PPEL Fund.

District Response: We consulted with our attorney before paying for these items from the PPEL Fund. The attorney represented that class room sets could be considered as one unit of equipment and would therefore be an allowable PPEL Fund expenditure. We will review this issue before using the PPEL Fund for any more class room furnishings.

Conclusion: Response accepted.

04-II-M

Sale of Equipment: The Code of Iowa specifies that proceeds from the sale of equipment should be placed in the General Fund. The District sold playground equipment for \$101 and placed the proceeds in the PPEL Fund.

Recommendation: Future proceeds from the sale of equipment should be placed in the General Fund.

District Response: We will record proceeds from any future sales of equipment in the General Fund.

Conclusion: Response accepted.