

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Ellen Nothwehr	President	2003
Brenda Swanson	Vice-President	2004
Terry Carlson	Board Member	2003
Larry Murphy	Board Member	2005
Ron Peterman	Board Member	2005

<b>Board of Education (After September 2003 Election)</b>		
Terry Carlson	President	2006
Ron Peterman	Vice President	2005
Ellen Nothwehr	Board Member	2006
Brenda Swanson	Board Member	2004
Larry Murphy	Board Member	2005

**School Officials**

Iner Joelson	Superintendent	2004
Karen Beaver	Board Secretary and Treasurer	2004
Ahlers & Cooney, P.C.	Attorney	2004

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
South Page Community School District:

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

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

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

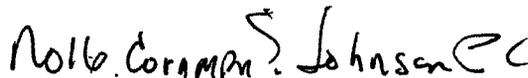
As described in Note 10 to the financial statements, during the year ended June 30, 2004, South Page Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 4, 2004, on our consideration of the South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of

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

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

August 4, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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South Page 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 \$2,451,801 in fiscal 2003 to \$2,512,289 in fiscal 2004, while General Fund expenditures decreased from \$2,282,751 in fiscal 2003 to \$2,229,480 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$298,220 in fiscal 2003 to a balance of \$581,029 in fiscal 2004, a 95% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2004. The decrease in expenditures was due primarily to a decrease in the support services and other expenditures functional areas.
- A 2.5% across-the-board state cut did reduce revenues the District received during the 2003-2004 school year. This was due to a downward estimate in state revenues.

### **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 South Page 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 South Page 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 South Page Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

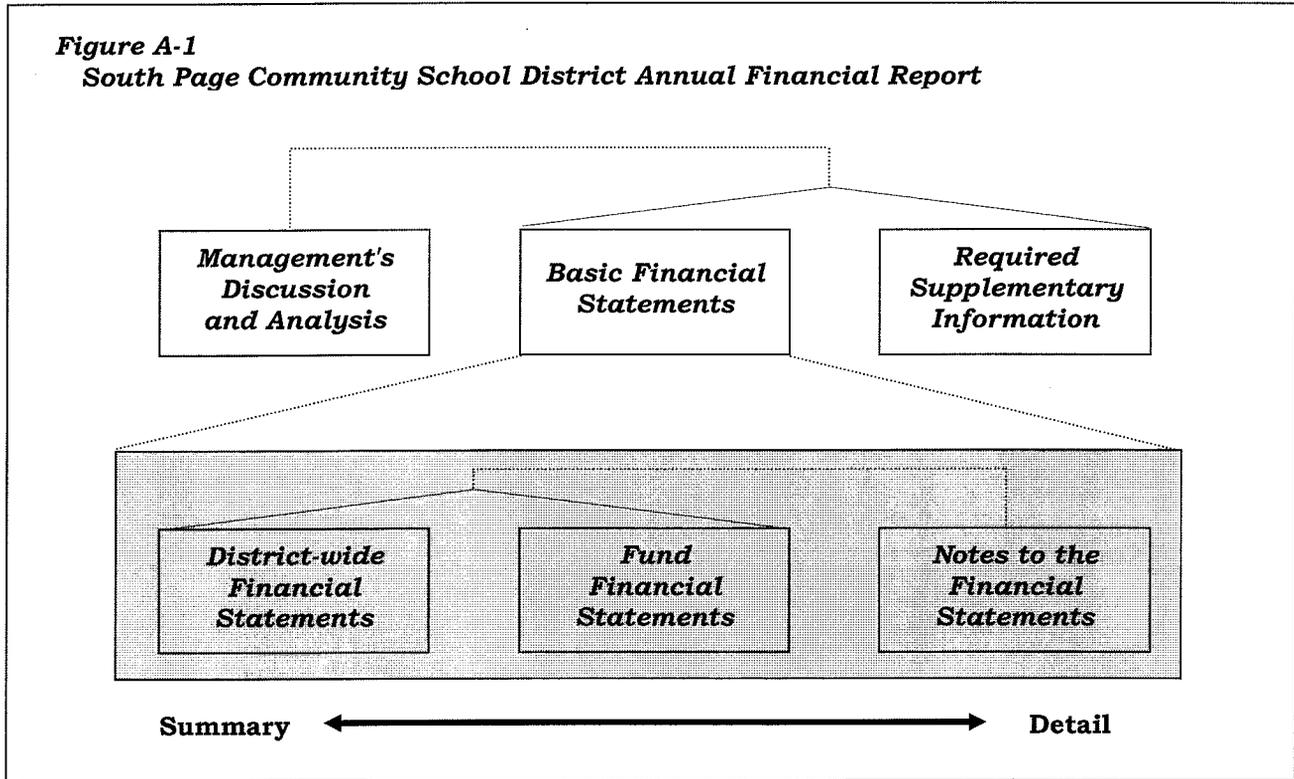


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, and 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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

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

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

The required financial statements for fiduciary funds 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 for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 2,200,216	(16,672)	2,183,544
Capital Assets	1,353,602	2,067	1,355,669
Total assets	<u>3,553,818</u>	<u>(14,605)</u>	<u>3,539,213</u>
Long-term obligations	260,000	0	260,000
Other liabilities	1,351,969	1,663	1,353,632
Total liabilities	<u>1,611,969</u>	<u>1,663</u>	<u>1,613,632</u>
Net assets:			
Invested in capital assets, net of related debt	1,271,892	2,067	1,273,959
Restricted	111,575	0	111,575
Unrestricted	558,382	(18,335)	540,047
Total net assets	<u>\$ 1,941,849</u>	<u>(16,268)</u>	<u>1,925,581</u>

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

Figure A-4  
Changes of Net Assets

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Revenues:			
Program revenues:			
Charges for services	\$ 214,321	41,175	255,496
Operating grants and contributions and restricted interest	415,383	55,238	470,621
Capital grants and contributions and restricted interest	298,650	0	298,650
General revenues:			
Property tax	997,336	0	997,336
Local option sales and service tax	161,861	0	161,861
Unrestricted state grants	1,078,879	0	1,078,879
Unrestricted investment earnings	4,501	0	4,501
Total revenues	<u>3,170,931</u>	<u>96,413</u>	<u>3,267,344</u>
Program expenses:			
Governmental activities:			
Instructional	1,639,929	0	1,639,929
Support services	710,664	0	710,664
Non-instructional programs	0	106,534	106,534
Other expenses	714,711	0	714,711
Total expenses	<u>3,065,304</u>	<u>106,534</u>	<u>3,171,838</u>
Change in net assets	<u>\$ 105,627</u>	<u>(10,121)</u>	<u>95,506</u>

Property tax and unrestricted state grants account for approximately 64% of the total revenue. The District's expenses primarily relate to instruction and other expenses which account for approximately 74% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$3,170,931 and expenses were \$3,065,304.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,639,929	1,106,594
Support services	710,664	708,460
Other expenses	714,711	321,896
Totals	<u>\$ 3,065,304</u>	<u>2,136,950</u>

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- The cost financed by users of the District's programs was \$214,321.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$415,383.
  - The net cost of governmental activities was financed with \$997,336 in property and other taxes, \$161,861 in local option sales and services tax, \$1,078,879 in unrestricted state grants, and \$4,501 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$96,413 and expenses were \$106,534. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$849,051, above last year's ending fund balances of a \$659,929.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from a deficit of \$6,147 at June 30, 2003 to a deficit of \$16,268 at June 30, 2004, representing a decrease of 165%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$162,757 more than budgeted receipts, a variance of 5.14%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of disbursements paid.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$1,355,669, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$116,286.

The original cost of the District's capital assets was \$3,767,676. Governmental funds account for \$3,696,564 with the remainder of \$71,112 in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type	Total
	Activities		Activities	School District
	2004		2004	2004
Land	\$	52,000	0	52,000
Buildings		1,158,638	0	1,158,638
Improvements other than buildings		88,141	0	88,141
Machinery and equipment		54,823	2,067	56,890
Total	\$	1,353,602	2,067	1,355,669

### Long-Term Debt

At June 30, 2004, the District had \$260,000 in revenue long-term debt outstanding. This represents a decrease of 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Revenue bonds	\$ 260,000	290,000	-10.3%
Totals	\$ 260,000	290,000	-10.3%

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## **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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Open enrollment decreased in 2003-2004, which will decrease revenues for the 2004-2005 fiscal year.

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## **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 Tammie Woodruff, Board Secretary, South Page Community School District, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP (Note 4)	\$ 315,222	0	315,222
Other	780,540	(22,279)	758,261
Receivables			
Property tax:			
Delinquent	22,846	0	22,846
Succeeding year	1,028,859	0	1,028,859
Accounts	442	3,736	4,178
Accrued ISCAP interest (Note 4)	679	0	679
Due from other governments	51,628	0	51,628
Inventories	0	1,871	1,871
Capital assets, net of accumulated depreciation (Note 5)	1,353,602	2,067	1,355,669
<b>TOTAL ASSETS</b>	<b>3,553,818</b>	<b>(14,605)</b>	<b>3,539,213</b>
<b>LIABILITIES</b>			
Accounts payable	5,381	35	5,416
ISCAP warrants payable (Note 4)	316,000	0	316,000
ISCAP accrued interest payable (Note 4)	327	0	327
ISCAP unamortized premium	598	0	598
Accrued interest payable	804	0	804
Deferred revenue:			
Succeeding year property tax	1,028,859	0	1,028,859
Other	0	1,628	1,628
Long-term liabilities (Note 6):			
Portion due within one year:			
Revenue bonds	30,000	0	30,000
Portion due after one year:			
Revenue bonds	230,000	0	230,000
<b>TOTAL LIABILITIES</b>	<b>1,611,969</b>	<b>1,663</b>	<b>1,613,632</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,271,892	2,067	1,273,959
Restricted for:			
Phase III	3,621	0	3,621
Early Intervention	19,026	0	19,026
Management levy	12,926	0	12,926
Physical plant and equipment levy	51,338	0	51,338
Other special revenue purposes	24,664	0	24,664
Unrestricted	558,382	(18,335)	540,047
<b>TOTAL NET ASSETS</b>	<b>\$ 1,941,849</b>	<b>(16,268)</b>	<b>1,925,581</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 1,032,078	214,157	301,780	0
Special instruction	325,089	0	17,398	0
Other instruction	282,762	0	0	0
	<u>1,639,929</u>	<u>214,157</u>	<u>319,178</u>	<u>0</u>
Support services:				
Student services	21,669	0	0	0
Instructional staff services	21,005	0	0	0
Administration services	352,366	0	0	0
Operation and maintenance of plant services	214,707	0	0	0
Transportation services	100,917	164	2,040	0
	<u>710,664</u>	<u>164</u>	<u>2,040</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	534,691	0	0	298,650
Long-term debt interest	10,489	0	0	0
AEA flowthrough	94,165	0	94,165	0
Depreciation(unallocated)*	75,366	0	0	0
	<u>714,711</u>	<u>0</u>	<u>94,165</u>	<u>298,650</u>
<b>Total governmental activities</b>	<b>3,065,304</b>	<b>214,321</b>	<b>415,383</b>	<b>298,650</b>
<b>Business-Type activities:</b>				
Non-instructional programs:				
Nutrition services	106,534	41,175	55,238	0
<b>Total business-type activities</b>	<u>106,534</u>	<u>41,175</u>	<u>55,238</u>	<u>0</u>
<b>Total</b>	<u>\$ 3,171,838</u>	<u>255,496</u>	<u>470,621</u>	<u>298,650</u>

**General Revenues:**

Property tax levied for:  
 General purposes  
 Capital outlay  
 Local option sales and services  
 Unrestricted state grants  
 Unrestricted investment earnings  
 Total general revenues

Changes in net assets

Net assets beginning of year, as restated(Note 10)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(516,141)	0	(516,141)
(307,691)	0	(307,691)
(282,762)	0	(282,762)
(1,106,594)	0	(1,106,594)
(21,669)	0	(21,669)
(21,005)	0	(21,005)
(352,366)	0	(352,366)
(214,707)	0	(214,707)
(98,713)	0	(98,713)
(708,460)	0	(708,460)
(236,041)	0	(236,041)
(10,489)	0	(10,489)
0	0	0
(75,366)	0	(75,366)
(321,896)	0	(321,896)
(2,136,950)	0	(2,136,950)
0	(10,121)	(10,121)
0	(10,121)	(10,121)
(2,136,950)	(10,121)	(2,147,071)
\$ 975,559	0	975,559
21,777	0	21,777
161,861	0	161,861
1,078,879	0	1,078,879
4,501	0	4,501
2,242,577	0	2,242,577
105,627	(10,121)	95,506
1,836,222	(6,147)	1,830,075
\$ 1,941,849	(16,268)	1,925,581

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 315,222	0	0	315,222
Other	521,939	140,764	117,837	780,540
Receivables:				
Property tax:				
Delinquent	21,348	0	1,498	22,846
Succeeding year	958,472	0	70,387	1,028,859
Accounts	392	0	50	442
Accrued ISCAP interest (Note 4)	679	0	0	679
Due from other governments	43,684	7,944	0	51,628
<b>TOTAL ASSETS</b>	<b>\$ 1,861,736</b>	<b>148,708</b>	<b>189,772</b>	<b>2,200,216</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 5,310	0	71	5,381
ISCAP warrants payable (Note 4)	316,000	0	0	316,000
ISCAP accrued interest payable (Note 4)	327	0	0	327
ISCAP unamortized premium	598	0	0	598
Deferred revenue:				
Succeeding year property tax	958,472	0	70,387	1,028,859
Total liabilities	1,280,707	0	70,458	1,351,165
Fund balances:				
Reserved for:				
Debt Service	0	0	30,386	30,386
Phase III	3,621	0	0	3,621
Early Intervention	19,026	0	0	19,026
Unreserved:				
Undesignated	558,382	148,708	88,928	796,018
Total fund balances	581,029	148,708	119,314	849,051
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,861,736</b>	<b>148,708</b>	<b>189,772</b>	<b>2,200,216</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17)	\$	849,051
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,353,602
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.		(804)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds.		<u>(260,000)</u>
Net assets of governmental activites (page 14)	\$	<u><u>1,941,849</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 931,894	161,861	65,442	1,159,197
Tuition	51,912	0	0	51,912
Other	34,221	2,305	130,384	166,910
State sources	1,302,959	0	0	1,302,959
Federal sources	191,303	298,650	0	489,953
Total revenues	<u>2,512,289</u>	<u>462,816</u>	<u>195,826</u>	<u>3,170,931</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,015,036	0	0	1,015,036
Special instruction	325,089	0	0	325,089
Other instruction	156,786	0	125,976	282,762
	<u>1,496,911</u>	<u>0</u>	<u>125,976</u>	<u>1,622,887</u>
Support services:				
Student services	21,669	0	0	21,669
Instructional staff services	21,005	0	0	21,005
Administration services	348,487	0	0	348,487
Operation and maintenance of plant services	162,773	0	51,064	213,837
Transportation services	84,470	0	0	84,470
	<u>638,404</u>	<u>0</u>	<u>51,064</u>	<u>689,468</u>
Other expenditures:				
Facilities acquisitions	0	522,241	12,450	534,691
Long-term debt:				
Principal	0	0	30,000	30,000
Interest and fiscal charges	0	0	10,598	10,598
AEA flowthrough	94,165	0	0	94,165
	<u>94,165</u>	<u>522,241</u>	<u>53,048</u>	<u>669,454</u>
Total expenditures	<u>2,229,480</u>	<u>522,241</u>	<u>230,088</u>	<u>2,981,809</u>
Excess(deficiency) of revenues over(under) expenditures	282,809	(59,425)	(34,262)	189,122
Other financing sources:				
Transfers in	0	0	40,598	40,598
Transfers out	0	(40,598)	0	(40,598)
Total other financing sources	<u>0</u>	<u>(40,598)</u>	<u>40,598</u>	<u>0</u>
Net change in fund balances	282,809	(100,023)	6,336	189,122
Fund balance beginning of year	298,220	248,731	112,978	659,929
Fund balance end of year	<u>\$ 581,029</u>	<u>148,708</u>	<u>119,314</u>	<u>849,051</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2004

Net change in fund balances - total governmental funds (page 19) \$ 189,122

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

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

Capital outlays	\$	0	
Depreciation expense		(113,604)	(113,604)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	30,000
--------	--------

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.

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Changes in net assets of governmental activities (page 16) \$ 105,627

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ (22,279)
Accounts receivable	3,736
Inventories	1,871
Capital assets, net of accumulated depreciation	2,067
Total assets	(14,605)
 <b>LIABILITIES</b>	
Accounts payable	35
Deferred revenue	1,628
Total liabilities	1,663
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,067
Unrestricted	(18,335)
Total net assets	\$ (16,268)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 41,175
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	40,689
Benefits	13,274
Services	1,354
Supplies	48,535
Depreciation	2,682
Total operating expenses	106,534
Operating loss	(65,359)
Non-operating revenues:	
State sources	1,572
Federal sources	53,666
Total non-operating revenues	55,238
Change in net assets	(10,121)
Net assets beginning of year	(6,147)
Net assets end of year	\$ (16,268)

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 41,836
Cash payments to employees for services	(53,963)
Cash payments to suppliers for goods or services	(42,813)
Net cash used in operating activities	(54,940)
Cash flows from non-capital financing activities:	
State grants received	1,572
Federal grants received	42,610
Net cash provided by non-capital financing activities	44,182
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,170)
Net cash used in capital and related financing activities	(3,170)
Net decrease in cash and cash equivalents	(13,928)
Cash and cash equivalents at beginning of year	(8,351)
Cash and cash equivalents at end of year	\$ (22,279)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (65,359)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,369
Depreciation	2,682
Increase in inventories	(328)
Decrease in accounts receivable	76
Increase in accounts payable	35
Increase in deferred revenue	585
Net cash used in operating activities	\$ (54,940)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (22,279)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2004, the District received Federal commodities valued at \$7,369.	

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 2,000
Total assets	<u>2,000</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 2,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The South Page Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of College Springs, Iowa, and the predominate agricultural territory in Page County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

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

funds include the following:

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 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 receivables and other receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

(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	Capital Projects	\$ 40,598

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

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 124,844	679	124,000	327
2004-05A	6/30/04	6/30/05	190,378	0	192,000	0
			<u>\$ 315,222</u>	<u>679</u>	<u>316,000</u>	<u>327</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	220,000	220,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

**(5) Capital Assets**

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

	Balance Beginning of Year, as restated (Note 10)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 52,000	0	0	52,000
Total capital assets not being depreciated	52,000	0	0	52,000
<b>Capital assets being depreciated:</b>				
Buildings	2,391,795	0	0	2,391,795
Improvements other than buildings	176,282	0	0	176,282
Machinery and equipment	1,076,487	0	0	1,076,487
Total capital assets being depreciated	3,644,564	0	0	3,644,564
<b>Less accumulated depreciation for:</b>				
Buildings	1,166,604	66,553	0	1,233,157
Improvements other than buildings	79,328	8,813	0	88,141
Machinery and equipment	983,426	38,238	0	1,021,664
Total accumulated depreciation	2,229,358	113,604	0	2,342,962
Total capital assets being depreciated, net	1,415,206	(113,604)	0	1,301,602
Governmental activities capital assets, net	\$ 1,467,206	(113,604)	0	1,353,602
<b>Business-type activities:</b>				
Machinery and equipment	\$ 17,476	53,636	0	71,112
Less accumulated depreciation	15,897	53,148	0	69,045
Business-type activities capital assets, net	\$ 1,579	488	0	2,067

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>		
Instruction:		
Regular		\$ 17,042
Support services:		
Administration		3,879
Operation and maintenance of plant		870
Transportation		16,447
		38,238
Unallocated depreciation		75,366
Total governmental activities depreciation expense		\$ 113,604
<b>Business-type activities:</b>		
Food services		\$ 2,682
Total business-type activities depreciation expense		\$ 2,682

## (6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 290,000	0	30,000	260,000	30,000

Bonded Debt

Details of the District's June 30, 2004 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated February 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	4.35	30,000	8,992	38,992
2006	4.35	35,000	7,579	42,579
2007	2.85	35,000	6,318	41,318
2008	3.20	35,000	5,260	40,260
2009	3.50	40,000	4,000	44,000
2010	3.75	40,000	2,460	42,460
2011	4.00	45,000	900	45,900
Total		\$ 260,000	35,509	295,509

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$75,392, \$81,746, \$81,276, respectively, equal to the required contributions for each year.

**(8) Risk Management**

South Page Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E Organization. The Iowa School Employees Benefits Association (ISEBA) was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

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

The District's contributions to the risk pool are recorded as expenditures from its General and Management Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$275,159.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded

programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

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

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

South Page 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$94,165 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.

**(10) Accounting Change and Restatements**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absences and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) 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, and Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during 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 split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$0 were restated to \$3,696,564. The restatement primarily includes the District's accounting for capital assets.

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

	Fund			Total
	General	Capital Projects	Other Nonmajor Governmental Funds	
Net assets, June 30, 2003, as previously reported	\$ 298,220	258,492	103,217	659,929
GASB Interpretation 6 adjustments	0	0	0	0
Net assets, July 1, 2003, as restated for governmental funds	<u>\$ 298,220</u>	<u>258,492</u>	<u>103,217</u>	<u>659,929</u>
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$2,229,358				1,467,206
Long-term liabilities:				
Bonds			290,000	(290,000)
Accrued interest payable				(913)
Net assets, July 1, 2003, as restated				<u>\$ 1,836,222</u>

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

**(12) Deficit Net Assets**

The District had a deficit net asset balance of \$16,268 at June 30, 2004 in the business-type activities.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 1,398,500	41,836
State sources	1,302,960	1,572
Federal sources	533,344	49,979
Total revenues	<u>3,234,804</u>	<u>93,387</u>
Disbursements:		
Instruction	1,626,185	0
Support services	687,180	0
Non-instructional programs	0	107,315
Other expenditures	671,218	0
Total expenditures	<u>2,984,583</u>	<u>107,315</u>
Excess(deficiency) of receipts over(under) disbursements	250,221	(13,928)
Balance beginning of year	<u>530,319</u>	<u>(8,351)</u>
Balance end of year	<u>\$ 780,540</u>	<u>(22,279)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,440,336	1,656,863	1,656,863	(216,527)
1,304,532	1,364,730	1,364,730	(60,198)
583,323	143,841	143,841	439,482
<u>3,328,191</u>	<u>3,165,434</u>	<u>3,165,434</u>	<u>162,757</u>
1,626,185	1,705,000	1,705,000	78,815
687,180	984,000	984,000	296,820
107,315	107,496	107,496	181
671,218	400,931	400,931	(270,287)
<u>3,091,898</u>	<u>3,197,427</u>	<u>3,197,427</u>	<u>105,529</u>
236,293	(31,993)	(31,993)	(268,286)
<u>521,968</u>	<u>60,925</u>	<u>60,925</u>	<u>461,043</u>
<u>758,261</u>	<u>28,932</u>	<u>28,932</u>	<u>729,329</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,234,804	(63,873)	3,170,931
Expenditures	2,984,583	(2,774)	2,981,809
Net	250,221	(61,099)	189,122
Other financing sources, net	0	0	0
Beginning fund balances	530,319	129,610	659,929
Ending fund balances	\$ 780,540	68,511	849,051

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 93,387	3,026	96,413
Expenditures	107,315	(781)	106,534
Net	(13,928)	3,807	(10,121)
Other financing sources, net	0	0	0
Beginning fund balances	(8,351)	2,204	(6,147)
Ending fund balances	\$ (22,279)	2,204	(16,268)

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

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

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

During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service		
<b>ASSETS</b>								
Cash and pooled investments	\$ 11,926	24,345	50,840	340	87,451	30,386		117,837
Receivables:								
Property tax:								
Current year delinquent	1,000	0	498	0	1,498	0		1,498
Succeeding year	50,000	0	20,387	0	70,387	0		70,387
Accounts	0	0	0	50	50	0		50
<b>TOTAL ASSETS</b>	<b>\$ 62,926</b>	<b>24,345</b>	<b>71,725</b>	<b>390</b>	<b>159,386</b>	<b>30,386</b>		<b>189,772</b>
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities:								
Accounts payable	\$ 0	71	0	0	71	0		71
Deferred revenue:								
Succeeding year property tax	50,000	0	20,387	0	70,387	0		70,387
<b>Total Liabilities</b>	<b>50,000</b>	<b>71</b>	<b>20,387</b>	<b>0</b>	<b>70,458</b>	<b>0</b>		<b>70,458</b>
Fund equity:								
Fund balances:								
Reserved for:								
Debt Service	0	0	0	0	0	30,386		30,386
Unreserved:								
Undesignated	12,926	24,274	51,338	390	88,928	0		88,928
<b>Total fund balances</b>	<b>12,926</b>	<b>24,274</b>	<b>51,338</b>	<b>390</b>	<b>88,928</b>	<b>30,386</b>		<b>119,314</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 62,926</b>	<b>24,345</b>	<b>71,725</b>	<b>390</b>	<b>159,386</b>	<b>30,386</b>		<b>189,772</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds						
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 43,665	0	21,777	0	65,442	0	65,442
Other	6	129,271	101	380	129,758	626	130,384
TOTAL REVENUES	43,671	129,271	21,878	380	195,200	626	195,826
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	125,976	0	0	125,976	0	125,976
Support services:							
Operation and maintenance of plant services	51,064	0	0	0	51,064	0	51,064
Other expenditures:							
Facilities acquisitions	0	0	12,450	0	12,450	0	12,450
Long-term debt:							
Principal	0	0	0	0	0	30,000	30,000
Interest and fiscal charges	0	0	0	0	0	10,598	10,598
TOTAL EXPENDITURES	51,064	125,976	12,450	0	169,490	40,598	230,088
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,393)	3,295	9,428	380	5,710	(39,972)	(34,262)
OTHER FINANCING SOURCES:							
Transfers in	0	0	0	0	0	40,598	40,598
Total other financing sources	0	0	0	0	0	40,598	40,598
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(7,393)	3,295	9,428	380	5,710	626	6,336
FUND BALANCE BEGINNING OF YEAR	20,319	20,979	41,910	10	83,218	29,760	112,978
FUND BALANCE END OF YEAR	\$ 12,926	24,274	51,338	390	88,928	30,386	119,314

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Booster Club	\$ 0	3,980	2,107	1,873
Gate Change	(157)	8,138	8,308	(327)
General Student Activity	1,572	1,067	1,441	1,198
Library	811	2,121	1,865	1,067
Student Restaurant	(54)	0	0	(54)
Computer Tech	0	135	0	135
Elementary Carnival	3,508	15,354	11,547	7,315
Drama Club	1,647	403	329	1,721
Glee Club	2,002	0	192	1,810
Band Club	(373)	1,280	1,086	(179)
Athletics	(2,311)	28,584	27,192	(919)
Weightlifting Club	1,152	360	940	572
Girls SP Club	577	397	656	318
Football	0	3,460	2,677	783
Seniors	0	0	230	(230)
Class of 2004	2,863	73	2,287	649
Class of 2005	(3,004)	13,907	8,683	2,220
Class of 2006	525	246	3,517	(2,746)
Class of 2007	213	70	0	283
Class of 2008	156	70	0	226
Class of 2009	6	123	0	129
Class of 2010	0	95	0	95
Annual	(4,368)	5,910	9,035	(7,493)
National Honor Society	1,152	3,048	2,002	2,198
Cheerleaders	1,717	3,194	4,219	692
Drill Team	0	1,508	1,045	463
Student Council	2,254	3,516	4,992	778
FCCLA	186	0	150	36
FFA	4,622	11,836	12,529	3,929
Science Trip	259	0	0	259
MS Student Council	1,248	1,705	982	1,971
Spanish Club	0	120	0	120
Washington DC/ST Trip	0	1,626	1,626	0
I.T. Club	525	27	59	493
Pop Machine	4,020	16,838	16,021	4,837
Padlocks	231	80	259	52
<b>Total</b>	<b>\$ 20,979</b>	<b>129,271</b>	<b>125,976</b>	<b>24,274</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,159,197	1,099,361	915,915	852,544
Tuition	51,912	72,060	97,251	100,147
Other	166,910	157,174	189,510	158,242
Intermediate sources	0	4,390	0	5,050
State sources	1,302,959	1,307,777	1,390,786	1,478,964
Federal sources	489,953	167,145	84,960	80,280
<b>Total</b>	<b>\$ 3,170,931</b>	<b>2,807,907</b>	<b>2,678,422</b>	<b>2,675,227</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 1,015,036	974,387	1,020,006	1,045,340
Special instruction	325,089	347,420	341,535	319,929
Other instruction	282,762	294,232	291,943	326,213
Support services:				
Student services	21,669	98,780	93,188	91,286
Instructional staff services	21,005	22,690	20,926	35,629
Administration services	348,487	332,968	302,556	291,634
Operation and maintenance of plant services	213,837	193,204	243,654	225,956
Transportation services	84,470	83,475	94,670	151,656
Non-instructional programs	0	0	0	11,982
Other expenditures:				
Facilities acquisitions	534,691	174,018	163,915	54,511
Long-term debt:				
Principal	30,000	0	0	0
Interest and other charges	10,598	3,800	0	0
AEA flow-through	94,165	100,403	103,018	108,649
<b>Total</b>	<b>\$ 2,981,809</b>	<b>2,625,377</b>	<b>2,675,411</b>	<b>2,662,785</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

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

To the Board of Education of the  
South Page Community School District:

We have audited the financial statements of South Page Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 4, 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 South Page Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for II-B-04, II-D-04, II-G-04 and II-K-04.

Internal Control Over Financial Reporting

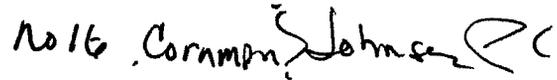
In planning and performing our audit, we considered South Page Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control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

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

reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04, I-B-04, and I-C-04.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

August 4, 2004

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

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

REPORTABLE CONDITIONS:

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

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-04 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however they are not kept current.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft.

Response - We will report to the board periodically about our fixed assets. We will also train staff to ensure proper records of fixed assets are kept.

Conclusion - Response accepted.

- I-C-04 Student Activity Fund - We noted during our audit that the Student Activity Fund included deficit account balances.

Recommendation - The District should monitor accounts with deficit balances to prevent over spending of these deficit accounts.

Response - We will allocate revenues to eliminate these deficit balances and investigate alternatives to this end.

Conclusion - Response accepted.

- I-D-04 Student Activity Accounts - We noted during the audit that the Student Activity Fund includes a padlock account.

Recommendation - The padlock account should be moved to the General Fund because the account is instructional in nature.

Response - We are in the process of moving this account to the General Fund.

Conclusion - Response accepted

I-E-04 Grants - We noted during the audit, that when expenditures for specific projects were posted, it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response – We will properly code pursuant to the Uniform Financial Accounting numbers to maintain accountability during future projects.

Conclusion – Response accepted.

I-F-04 Authorized Check Signatures - Checks written have two signatures; however, the check signers have not been designated by the Board President.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President can designate an authorized signer to sign in his place.

Response – The board secretary will advise the board of the need to make necessary designations.

Conclusion – Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend in the future if necessary.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - We noted during our audit that there were clothing items purchased for coaches out of the Activity Fund which may not meet the requirements for public purpose as defined in Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review these types of expenditures and document the public purpose served. The District may consider adopting a policy directed to requirements in meeting public purpose criteria. If no public purpose is identified, these types of expenditures should be added to the individuals W-2's or the District should be reimbursed by the individuals who received the items of clothing.

Response - The District officials will provide oversight to ensure that funds designated for public purpose are used in compliance with the Attorney General's opinion dated April 25, 1979.

Conclusion - Response accepted.

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted instances in which the District was reimbursing employees without a detailed receipt.

Recommendation - The District should develop a policy to reimburse travel expenses to employees only when detailed receipts are presented.

Response - We will develop administrative procedures to ensure that travel expenses are presented with detailed receipts. We will amend board policy if necessary.

Conclusion - Response accepted.

II-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Chris Conyac, Teacher Spouse of owner of Conyac Repair	Vehicle Repairs	\$ 8,461

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse do not appear to be represent a conflict of interest.

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

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

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

II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

II-K-04 Financial Condition - The District had a deficit net assets of \$16,268 in the Enterprise-School Nutrition Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - District officials are aware of the occurrence of a deficit in this fund. We will attempt to allocate revenues to eliminate this deficit and we will investigate alternatives to this end.

Conclusion - Response accepted.