

BELLE PLAINE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		31-32
Budgetary Comparison Schedule- Budget to GAAP Reconciliation		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Schedule of Changes in Student Activity Accounts	3	37
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		39-40
Schedule of Findings		41-43

Belle Plaine Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Ted Novak	President	2005
Marie Stratford	Vice President	2006
Tom Danker	Board Member	2006
Mike Bachelder	Board Member	2005
Joyce Livermore	Board Member	2004
Board of Education (After September 2004 Election)		
Tom Danker	President	2005
Marie Stratford	Vice President	2006
Ted Novak	Board Member	2006
Mike Bachelder	Board Member	2005
Joyce Livermore	Board Member	2007
School Officials		
Mike Milligan	Superintendent	2005
Charmaine Wickwire	District Secretary/Treasurer and Business Manager	2005
Gruhn Law Office	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Belle Plaine Community School District, Belle Plaine, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 Belle Plaine Community School District at June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2005 on our consideration of Belle Plaine Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 34 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

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 required 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 Belle Plaine Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Belle Plaine Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,001,342 in fiscal 2004 to \$5,148,605 in fiscal 2005, while General Fund expenditures increased from \$5,022,050 in fiscal 2004 to \$5,097,954 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$242,918 in fiscal 2004 to a balance of \$273,470 in fiscal 2005, a 12.6% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The increase in revenues was enough to offset the increase in expenditures to allow for the District to improve their General fund balance.
- The District is starting to reap the benefits of passing local option sales and service tax in Tama, Benton and Poweshiek Counties. This has allowed the Capital Projects fund balance to increase \$260,509 during fiscal 2005.
- The District's early retirement has been fully paid as of June 30, 2005. This means that the District has no long-term liabilities going into FY06.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Belle Plaine Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Belle Plaine Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

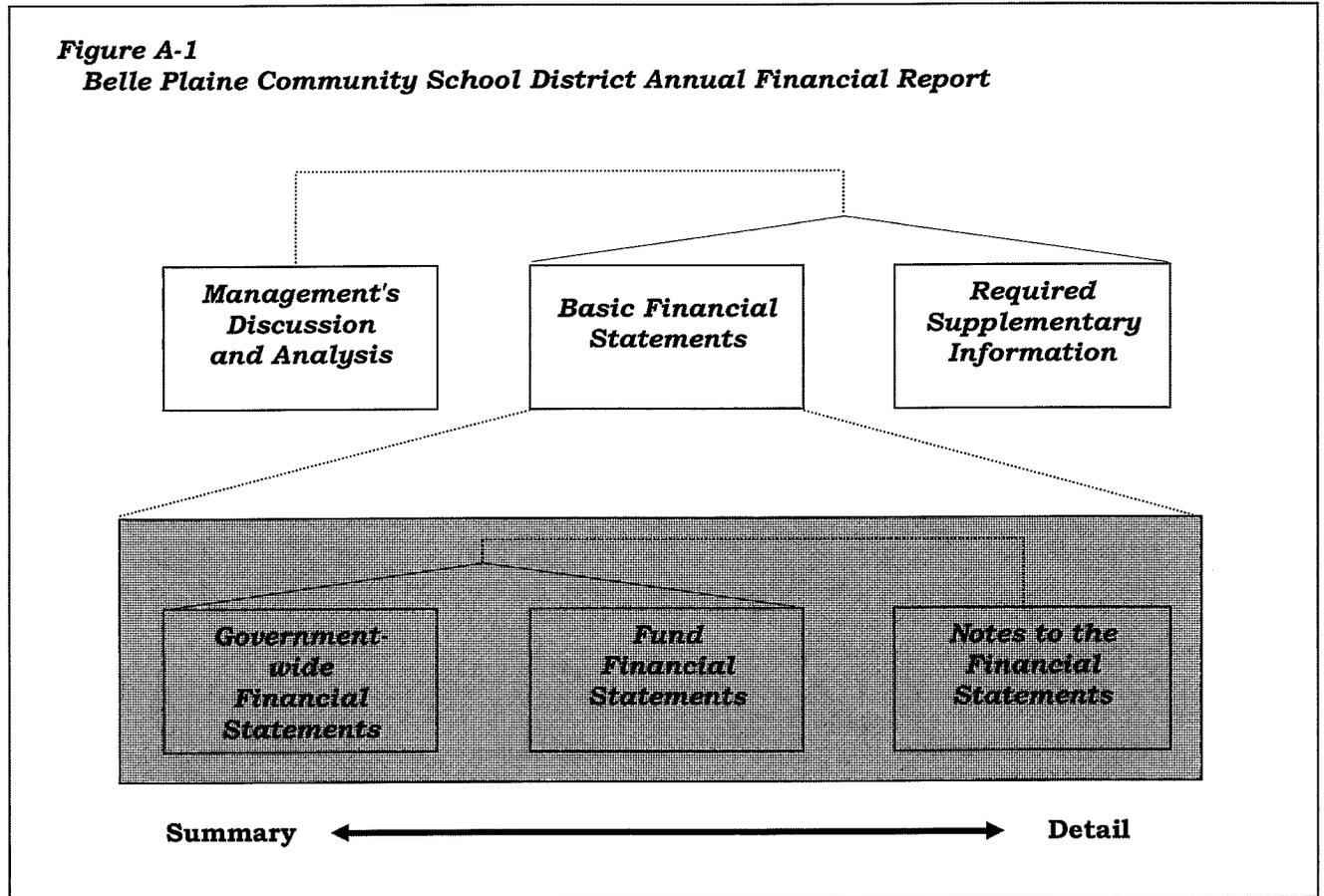


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 2,756,005	2,400,536	\$ 10,271	15,396	\$ 2,766,276	2,415,932	14.50%
Capital assets	1,045,896	922,317	17,875	20,843	1,063,771	943,160	12.79%
Total assets	<u>3,801,901</u>	<u>3,322,853</u>	<u>28,146</u>	<u>36,239</u>	<u>3,830,047</u>	<u>3,359,092</u>	<u>14.02%</u>
Long-term obligations	0	4,844	0	0	0	4,844	-100.00%
Other liabilities	1,811,702	1,792,358	2,249	1,805	1,813,951	1,794,163	1.10%
Total liabilities	<u>1,811,702</u>	<u>1,797,202</u>	<u>2,249</u>	<u>1,805</u>	<u>1,813,951</u>	<u>1,799,007</u>	<u>0.83%</u>
Net assets:							
Invested in capital assets	1,045,896	922,317	17,875	20,843	1,063,771	943,160	12.79%
Restricted	543,549	234,348	0	0	543,549	234,348	131.94%
Unrestricted	400,754	368,986	8,022	13,591	408,776	382,577	6.85%
Total net assets	<u>\$ 1,990,199</u>	<u>1,525,651</u>	<u>\$ 25,897</u>	<u>34,434</u>	<u>\$ 2,016,096</u>	<u>1,560,085</u>	<u>29.23%</u>

The District's combined net assets increased by over 29% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

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 132% over the prior year. This was due to the increase in local option sales and service tax during the year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 7% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 491,860	447,308	\$ 156,097	158,795	647,957	606,103	6.91%
Operating grants and contributions and restricted interest	520,312	514,459	93,395	101,765	613,707	616,224	-0.41%
General revenues:							
Property tax	1,895,438	1,888,272	0	0	1,895,438	1,888,272	0.38%
Local option sales and service tax	295,496	6,451	0	0	295,496	6,451	0.00%
Unrestricted state grants	2,625,914	2,552,653	0	0	2,625,914	2,552,653	2.87%
Other	(11,596)	(8,016)	20,135	14,128	8,539	6,112	39.71%
Total revenues	<u>5,817,424</u>	<u>5,401,127</u>	<u>269,627</u>	<u>274,688</u>	<u>6,087,051</u>	<u>5,675,815</u>	<u>7.25%</u>
Program expenses:							
Governmental activities:							
Instructional	3,665,153	3,671,379	0	0	3,665,153	3,671,379	-0.17%
Support services	1,421,131	1,446,123	0	0	1,421,131	1,446,123	-1.73%
Non-instructional programs	0	0	278,164	268,327	278,164	268,327	3.67%
Other expenses	266,592	295,925	0	0	266,592	295,925	-9.91%
Total expenses	<u>5,352,876</u>	<u>5,413,427</u>	<u>278,164</u>	<u>268,327</u>	<u>5,631,040</u>	<u>5,681,754</u>	<u>-0.89%</u>
Change in net assets	464,548	(12,300)	(8,537)	6,361	456,011	(5,939)	7778.25%
Net assets beginning of year	<u>1,525,651</u>	<u>1,537,951</u>	<u>34,434</u>	<u>28,073</u>	<u>1,560,085</u>	<u>1,566,024</u>	<u>-0.38%</u>
Net assets end of year	<u>\$ 1,990,199</u>	<u>1,525,651</u>	<u>\$ 25,897</u>	<u>34,434</u>	<u>2,016,096</u>	<u>1,560,085</u>	<u>29.23%</u>

Property tax, local option sales and service tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,817,424 and expenses were \$5,352,876. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,665,153	2,854,921
Support services	1,421,131	1,421,131
Other expenses	266,592	64,652
Totals	<u>\$ 5,352,876</u>	<u>4,340,704</u>

- The cost financed by users of the District's programs was \$491,860.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$520,312.
 - The net cost of governmental activities was financed with \$1,895,438 in local tax, \$295,496 in local option sales and service tax, \$2,625,914 in unrestricted state grants, and \$8,503 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$269,627 and expenses were \$278,164. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$783,521, compared to last year's ending fund balances of \$441,256.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors.
 - Increase in state grants during the year accounted for \$71,813 of the District's \$147,263 increase in revenues.
 - The expenditures in 2005 only increased \$75,904 which is approximately 1.5%. The District did a decent job of watching their expenses, especially with the increase in costs of salaries and benefits, transportation and utilities.
 - Overall the revenues exceeded expenditure by \$50,651, but due to \$20,099 being transferred to the School Nutrition Fund, the fund balance only increased \$30,552.
- The Management fund balance increased from \$69,002 in 2004, to \$101,528 in 2005. The District has not offered early retirement incentives for a couple of years, which has allowed the Fund to pay off all of the incentives. This means the District has no long-term liabilities going into the 2005-06 school year.
- The Capital Projects fund balance increased from \$8,327, to \$268,836, due to an increase in local option sales and service tax during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$34,434 at June 30, 2004 to \$25,897 at June 30, 2005, representing a decrease of approximately 25%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Belle Plaine Community School District amended its annual budget by \$125,000.

The District's revenues were \$186,010 less than budgeted revenues, a variance of 3.1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,063,771, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.34% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$88,672.

The original cost of the District's capital assets was \$3,427,012. Governmental funds account for \$3,354,671 with the remainder of \$72,341 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$206,641 at June 30, 2005, compared to \$155,870 reported at June 30, 2004. This increase resulted from the purchases made during the current year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 37,582	37,582	\$ 0	0	\$ 37,582	37,582	0.00%
Buildings	751,976	678,993	0	0	751,976	678,993	9.71%
Improvements other than buildings	67,572	70,715	0	0	67,572	70,715	-4.65%
Machinery and equipment	188,766	135,027	17,875	20,843	206,641	155,870	24.57%
Total	\$ 1,045,896	922,317	\$ 17,875	20,843	\$ 1,063,771	943,160	11.34%

Long-Term Debt

At June 30, 2005, the District had no long-term debt outstanding. This represents a decrease of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7

	Outstanding Long-Term Obligations		
	Total School District		Total
	2005	2004	Change
Early retirement	\$ 0	4,844	-100.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 601,423	2,063	603,486
Receivables:			
Property tax:			
Delinquent	50,184	0	50,184
Succeeding year	1,720,258	0	1,720,258
Income surtax	160,782	0	160,782
Accounts	128	0	128
Due from other governments	223,230	0	223,230
Inventories	0	8,208	8,208
Capital assets, net of accumulated depreciation(Note 4)	1,045,896	17,875	1,063,771
TOTAL ASSETS	3,801,901	28,146	3,830,047
LIABILITIES			
Accounts payable	76,832	48	76,880
Salaries and benefits payable	14,612	106	14,718
Deferred revenue:			
Succeeding year property tax	1,720,258	0	1,720,258
Other	0	2,095	2,095
TOTAL LIABILITIES	1,811,702	2,249	1,813,951
NET ASSETS			
Investment in capital assets	1,045,896	17,875	1,063,771
Restricted for:			
Early intervention	25,038	0	25,038
Talented and gifted	7,409	0	7,409
Salary improvement program	1,051	0	1,051
Physical plant & equipment levy	54,159	0	54,159
Management levy	101,528	0	101,528
Capital projects	268,836	0	268,836
Other special revenue purposes	85,528	0	85,528
Unrestricted	400,754	8,022	408,776
TOTAL NET ASSETS	\$ 1,990,199	25,897	2,016,096

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,498,825	263,300	318,372
Special instruction	675,667	0	0
Other instruction	490,661	228,560	0
	<u>3,665,153</u>	<u>491,860</u>	<u>318,372</u>
Support services:			
Student services	92,454	0	0
Instructional staff services	115,232	0	0
Administration services	663,938	0	0
Operation and maintenance of plant services	404,383	0	0
Transportation services	145,124	0	0
	<u>1,421,131</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	0	0	0
AEA flowthrough	201,940	0	201,940
Depreciation(unallocated)*	64,652	0	0
	<u>266,592</u>	<u>0</u>	<u>201,940</u>
Total governmental activities	5,352,876	491,860	520,312
Business-Type activities:			
Non-instructional programs:			
Nutrition services	278,164	156,097	93,395
Total business-type activities	<u>278,164</u>	<u>156,097</u>	<u>93,395</u>
Total	<u>\$ 5,631,040</u>	<u>647,957</u>	<u>613,707</u>

General Revenues:

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

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,917,153)	0	(1,917,153)
(675,667)	0	(675,667)
(262,101)	0	(262,101)
(2,854,921)	0	(2,854,921)
(92,454)	0	(92,454)
(115,232)	0	(115,232)
(663,938)	0	(663,938)
(404,383)	0	(404,383)
(145,124)	0	(145,124)
(1,421,131)	0	(1,421,131)
0	0	0
0	0	0
(64,652)	0	(64,652)
(64,652)	0	(64,652)
(4,340,704)	0	(4,340,704)
0	(28,672)	(28,672)
0	(28,672)	(28,672)
(4,340,704)	(28,672)	(4,369,376)
\$ 1,794,394	0	1,794,394
101,044	0	101,044
295,496	0	295,496
2,625,914	0	2,625,914
8,503	36	8,539
(20,099)	20,099	0
4,805,252	20,135	4,825,387
464,548	(8,537)	456,011
1,525,651	34,434	1,560,085
\$ 1,990,199	25,897	2,016,096

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General	Manage- ment	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 252,185	98,606	113,354	137,278	601,423
Receivables:					
Property tax					
Delinquent	44,853	2,922	0	2,409	50,184
Succeeding year	1,555,705	80,000	0	84,553	1,720,258
Income surtax	142,917	0	0	17,865	160,782
Accounts	128	0	0	0	128
Due from other governments	67,748	0	155,482	0	223,230
TOTAL ASSETS	\$ 2,063,536	181,528	268,836	242,105	2,756,005
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 76,832	0	0	0	76,832
Salaries and benefits payable	14,612	0	0	0	14,612
Deferred revenue:					
Succeeding year property tax	1,555,705	80,000	0	84,553	1,720,258
Income surtax	142,917	0	0	17,865	160,782
Total liabilities	1,790,066	80,000	0	102,418	1,972,484
Fund balances:					
Reserved for:					
Early intervention	25,038	0	0	0	25,038
Talented and gifted	7,409	0	0	0	7,409
Salary improvement program	1,051	0	0	0	1,051
Unreserved:					
General	239,972	0	0	0	239,972
Management	0	101,528	0	0	101,528
Capital projects	0	0	268,836	0	268,836
Physical plant and equipment levy	0	0	0	54,159	54,159
Other special revenue	0	0	0	85,528	85,528
Total fund balances	273,470	101,528	268,836	139,687	783,521
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,063,536	181,528	268,836	242,105	2,756,005

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 16)	\$ 783,521
<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.	1,045,896
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>160,782</u>
Net assets of governmental activites (page 13)	<u><u>\$ 1,990,199</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Manage- ment	Capital Projects	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Property tax	\$ 1,700,231	100,303	0	101,044	1,901,578
LOSST	0	0	295,496	0	295,496
Tuition	263,300	0	0	0	263,300
Other	39,035	7,064	13	190,951	237,063
State sources	3,019,669	102	0	85	3,019,856
Federal sources	126,370	0	0	0	126,370
Total revenues	5,148,605	107,469	295,509	292,080	5,843,663
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,496,924	0	0	0	2,496,924
Special instruction	675,667	0	0	0	675,667
Other instruction	301,885	0	0	187,995	489,880
	3,474,476	0	0	187,995	3,662,471
Support services:					
Student services	92,382	0	0	0	92,382
Instructional staff services	108,201	0	0	0	108,201
Administration services	587,568	74,943	0	0	662,511
Operation and maintenance of plant services	424,905	0	0	68,504	493,409
Transportation services	208,482	0	0	0	208,482
	1,421,538	74,943	0	68,504	1,564,985
Other expenditures:					
Facilities acquisitions	0	0	35,000	16,903	51,903
AEA flowthrough	201,940	0	0	0	201,940
	201,940	0	35,000	16,903	253,843
Total expenditures	5,097,954	74,943	35,000	273,402	5,481,299
Excess of revenues over expenditures	50,651	32,526	260,509	18,678	362,364
Other financing uses:					
Transfer out	(20,099)	0	0	0	(20,099)
Net change in fund balances	30,552	32,526	260,509	18,678	342,265
Fund balance beginning of year	242,918	69,002	8,327	121,009	441,256
Fund balance end of year	\$ 273,470	101,528	268,836	139,687	783,521

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ 342,265

***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	\$ 209,283	
Depreciation expense	<u>(85,704)</u>	123,579

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement		4,844
------------------	--	-------

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

		<u>(6,140)</u>
--	--	----------------

Changes in net assets of governmental activities (page 15) \$ 464,548

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 2,063
Inventories	8,208
Capital assets, net of accumulated depreciation (Note 4)	<u>17,875</u>
TOTAL ASSETS	<u>28,146</u>
LIABILITIES	
Accounts payable	48
Salaries and benefits payable	106
Deferred revenues	<u>2,095</u>
TOTAL LIABILITIES	<u>2,249</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,875
Unrestricted	<u>8,022</u>
TOTAL NET ASSETS	<u>\$ 25,897</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 148,497
Adults	6,647
Miscellaneous	953
TOTAL OPERATING REVENUES	156,097
OPERATING EXPENSES:	
Food service operations:	
Salaries	114,066
Benefits	19,345
Services	3,671
Supplies	138,114
Depreciation	2,968
TOTAL OPERATING EXPENSES	278,164
OPERATING LOSS	(122,067)
NON-OPERATING REVENUES:	
Interest	36
State sources	3,196
Federal sources	90,199
TOTAL NON-OPERATING REVENUES	93,431
Loss before other financing sources	(28,636)
OTHER FINANCING SOURCES:	
Transfers in	20,099
Change in net assets	(8,537)
Net assets beginning of year	34,434
Net assets end of year	\$ 25,897

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 155,434
Cash received from miscellaneous operating activities	953
Cash payments to employees for services	(133,305)
Cash payments to suppliers for goods or services	(121,880)
Net cash used in operating activities	(98,798)
Cash flows from non-capital financing activities:	
Transfer from General	20,099
State grants received	3,196
Federal grants received	72,941
Net cash provided by non-capital financing activities	96,236
Cash flows from investing activities:	
Interest on investments	36
Net cash provided by investing activities	36
Net decrease in cash and cash equivalents	(2,526)
Cash and cash equivalents at beginning of year	4,589
Cash and cash equivalents at end of year	\$ 2,063
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (122,067)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,258
Depreciation	2,968
Decrease in inventories	2,599
Increase in accounts payable	48
Increase in salaries and benefits payable	106
Increase in deferred revenue	290
Net cash used in operating activities	\$ (98,798)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 2,063
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$17,258.

SEE NOTES TO FINANCIAL STATEMENTS.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments as of June 30, 2005.

(3) **Transfers**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nutrition	General	<u>\$ 20,099</u>

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,582	0	0	37,582
Total capital assets not being depreciated	<u>37,582</u>	<u>0</u>	<u>0</u>	<u>37,582</u>
Capital assets being depreciated:				
Buildings	1,940,040	130,698	0	2,070,738
Land improvements	136,935	3,794	0	140,729
Machinery and equipment	1,030,831	74,791	0	1,105,622
Total capital assets being depreciated	<u>3,107,806</u>	<u>209,283</u>	<u>0</u>	<u>3,317,089</u>
Less accumulated depreciation for:				
Buildings	1,261,047	57,715	0	1,318,762
Land improvements	66,220	6,937	0	73,157
Machinery and equipment	895,804	21,052	0	916,856
Total accumulated depreciation	<u>2,223,071</u>	<u>85,704</u>	<u>0</u>	<u>2,308,775</u>
Total capital assets being depreciated, net	<u>884,735</u>	<u>123,579</u>	<u>0</u>	<u>1,008,314</u>
Governmental activities capital assets, net	<u>\$ 922,317</u>	<u>123,579</u>	<u>0</u>	<u>1,045,896</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 72,341	0	0	72,341
Less accumulated depreciation	51,498	2,968	0	54,466
Business-type activities capital assets, net	<u>\$ 20,843</u>	<u>(2,968)</u>	<u>0</u>	<u>17,875</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,901
Other		781
Support services:		
Student services		72
Instructional staff services		7,031
Administration services		1,427
Operation and maintenance of plant services		2,387
Transportation		7,453
		<u>21,052</u>
Unallocated depreciation		<u>64,652</u>
Total governmental activities depreciation expense		<u>\$ 85,704</u>
Business-type activities:		
Food services		<u>\$ 2,968</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 4,844	0	4,844	0	0

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$4,844.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$205,348, \$196,951, and \$192,795 respectively, equal to the required contributions for each year.

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$201,940 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,495,453	156,423
State sources	3,019,856	3,196
Federal sources	127,547	90,199
Total receipts	<u>5,642,856</u>	<u>249,818</u>
Disbursements:		
Instruction	3,611,298	0
Support services	1,598,870	0
Non-instructional programs	0	272,443
Other expenditures	253,843	0
Total disbursements	<u>5,464,011</u>	<u>272,443</u>
Excess(deficiency) of receipts over(under) disbursements	178,845	(22,625)
Other financing sources, net	<u>(20,099)</u>	<u>20,099</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	158,746	(2,526)
Balance beginning of year	<u>442,677</u>	<u>4,589</u>
Balance end of year	<u>\$ 601,423</u>	<u>2,063</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,651,876	2,761,430	2,761,430	(109,554)
3,023,052	3,077,254	3,077,254	(54,202)
217,746	240,000	240,000	(22,254)
<u>5,892,674</u>	<u>6,078,684</u>	<u>6,078,684</u>	<u>(186,010)</u>
3,611,298	4,266,282	4,266,282	654,984
1,598,870	1,506,656	1,606,656	7,786
272,443	261,182	286,182	13,739
253,843	635,218	635,218	381,375
<u>5,736,454</u>	<u>6,669,338</u>	<u>6,794,338</u>	<u>1,057,884</u>
156,220	(590,654)	(715,654)	871,874
0	0	0	0
156,220	(590,654)	(715,654)	871,874
447,266	329,932	329,932	117,334
<u>603,486</u>	<u>(260,722)</u>	<u>(385,722)</u>	<u>989,208</u>

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 5,642,856	200,807	5,843,663
Expenses	5,464,011	17,288	5,481,299
Net	178,845	183,519	362,364
Other financing sources, net	(20,099)	0	(20,099)
Beginning fund balances	442,677	(1,421)	441,256
Ending fund balances	\$ 601,423	182,098	783,521

	Proprietary Fund Type		
	Cash Basis	Enterprise	
		Adjust- ments	Accrual Basis
Revenues	\$ 249,818	(290)	249,528
Expenses	272,443	5,721	278,164
Net	(22,625)	(6,011)	(28,636)
Other financing sources, net	20,099	0	20,099
Beginning retained earnings	4,589	29,845	34,434
Ending retained earnings	\$ 2,063	23,834	25,897

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$125,000.

OTHER SUPPLEMENTAL INFORMATION

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 51,750	85,528	137,278
Receivables:			
Property tax:			
Current year delinquent	2,409	0	2,409
Succeeding year	84,553	0	84,553
Income surtax	17,865	0	17,865
TOTAL ASSETS	\$ 156,577	85,528	242,105
LIABILITIES AND FUND EQUITY			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 84,553	0	84,553
Income surtax	17,865	0	17,865
	102,418	0	102,418
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	54,159	85,528	139,687
Total fund balances	54,159	85,528	139,687
TOTAL LIABILITIES AND FUND EQUITY	\$ 156,577	85,528	242,105

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Physical Plant & Equipment Levy	Student Activity	Total Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 101,044	0	101,044
Other	104	190,847	190,951
State sources	85	0	85
TOTAL REVENUES	<u>101,233</u>	<u>190,847</u>	<u>292,080</u>
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	0	187,995	187,995
Support services:			
Operation and maintenance of plant services	68,504	0	68,504
Other expenditures:			
Facility acquisition	16,903	0	16,903
TOTAL EXPENDITURES	<u>85,407</u>	<u>187,995</u>	<u>273,402</u>
Excess of revenues over expenditures	15,826	2,852	18,678
Fund balance beginning of year	38,333	82,676	121,009
Fund balance end of year	<u>\$ 54,159</u>	<u>85,528</u>	<u>139,687</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
School play	\$ 930	0	435	495
Speech	95	0	63	32
Vocal	125	0	9	116
Band	126	50	235	(59)
Activities	6,534	32,783	37,601	1,716
Girls track	469	4,305	1,992	2,782
Boys track	623	1,294	592	1,325
Boys cross country	337	0	(21)	358
Girls cross country	600	298	505	393
Boys/girls golf	420	1,947	1,746	621
Boys basketball	4,107	7,541	7,604	4,044
Girls basketball	657	2,264	2,582	339
Football	1,462	7,120	7,015	1,567
Baseball	1,117	4,969	4,039	2,047
Wrestling	39	1,615	1,642	12
Volleyball	1,401	1,660	2,015	1,046
Softball	1,423	3,181	3,946	658
K-8 art club	282	1,176	1,128	330
Science club	562	316	319	559
HS student council	5,877	5,489	5,658	5,708
Annual	158	7,479	7,551	86
Close up	9,637	26,731	25,605	10,763
Peer helpers	149	0	0	149
Spanish club	2,484	5,195	4,585	3,094
Cheerleading	0	7,334	5,394	1,940
FFA	18,558	20,290	20,490	18,358
Win with fitness	324	615	741	198
Belle Plaine S.A.D.D.	0	829	394	435
Dance/drill team	683	25	24	684
Job olympics	21	0	0	21
JH student council	5,431	15,238	14,238	6,431
Camp courageous	1,248	2,336	2,470	1,114
6th grade	6,246	10,685	10,935	5,996
Elementary student council	1,882	4,188	2,488	3,582
Class of 04	1,521	0	38	1,483
Class of 05	3,056	427	3,505	(22)
Class of 06	2,388	1,506	2,306	1,588
Class of 07	1,617	1,641	588	2,670
Class of 08	0	1,871	909	962
Activity ticket	76	6,948	6,553	471
Projects	0	340	76	264
Playground equipment	11	0	0	11
Interest	0	1,161	0	1,161
Total	<u>\$ 82,676</u>	<u>190,847</u>	<u>187,995</u>	<u>85,528</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,197,074	1,913,270	1,753,088	1,317,133
Tuition	263,300	187,117	156,689	127,590
Other	237,063	266,261	263,428	222,242
State sources	3,019,856	2,948,051	3,135,665	3,160,198
Federal sources	126,370	119,061	122,983	107,281
Total	<u>\$ 5,843,663</u>	<u>5,433,760</u>	<u>5,431,853</u>	<u>4,934,444</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,496,924	2,462,224	2,397,684	2,456,145
Special instruction	675,667	744,499	655,026	634,892
Other instruction	489,880	431,840	427,288	428,206
Support services:				
Student services	92,382	92,838	93,782	159,917
Instructional staff services	108,201	101,460	103,931	96,170
Administration services	662,511	652,031	553,437	581,005
Operation and maintenance of plant services	493,409	436,307	423,422	344,512
Transportation services	208,482	169,826	155,836	202,656
Other expenditures:				
Facilities acquisitions	51,903	134,568	50,830	32,739
AEA flow-through	201,940	205,191	221,230	224,592
Total	<u>\$ 5,481,299</u>	<u>5,430,784</u>	<u>5,082,466</u>	<u>5,160,834</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Belle Plaine 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 Belle Plaine Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Belle Plaine Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 I-A-05 is a material weakness.

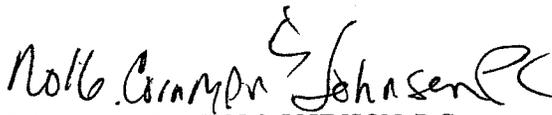
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belle Plaine Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Belle Plaine Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 29, 2005

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

BELLE PLAINE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 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, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jodi Bermel, Principal Owns Subway	Supplies	\$25

In accordance with Attorney General Opinion dated July 2, 1990, the transaction with the employee does not appear to be a conflict of interest.

II-F-05 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-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was overstated by one student, and tuition out to community college was overstated by one student, as well.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and Department of Management to resolve this issue.

Conclusion - Response accepted.

II-I-05 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-05 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.