

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		38
Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information - Budgetary Reporting		40
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	44
Combining Schedule of Revenues, Expenses, and Changes in Net Assets	4	45
Combining Schedule of Cash Flows	5	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	47-48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	49
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		50-51
Schedule of Findings		52-55

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Polk Community School District, Alleman, Iowa, as of and for the year ended June 30, 2005, 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 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 North Polk Community School District as of 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 September 23, 2005, on our consideration of North Polk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Polk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

September 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Polk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,702,446 in fiscal 2004 to \$6,877,315 in fiscal 2005, while General Fund expenditures increased from \$6,369,122 in fiscal 2004 to \$6,820,091 in fiscal 2005. The District's General Fund balance increased from \$1,351,554 in fiscal 2004 to \$1,408,778 in fiscal 2005, a 4.23% increase.
- The District increased its general fund balance by \$57,224 as a result of increased revenues and by monitoring and partially decreasing general fund line-item expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

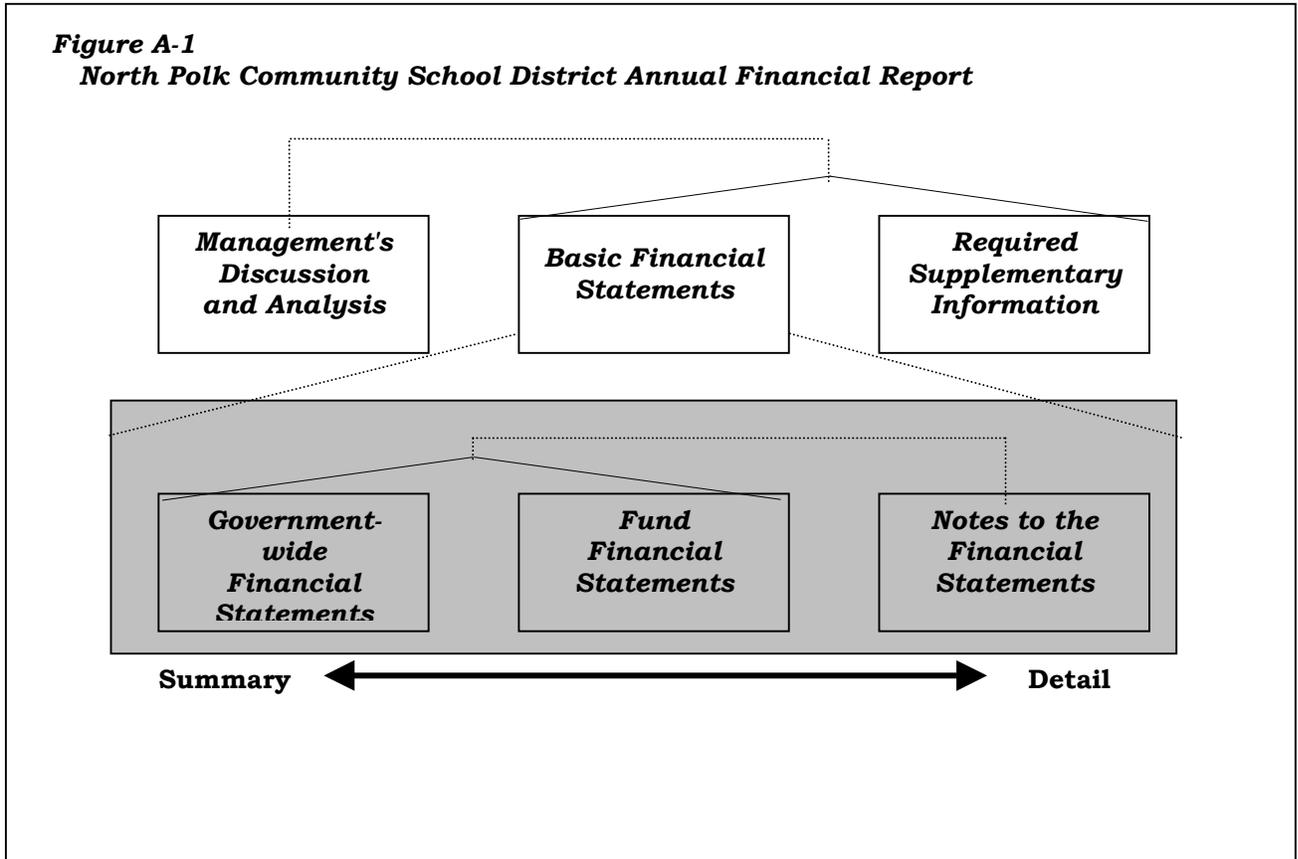


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or

decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District	
	June 30,		June 30,		June 30,	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 6,591,274	\$ 5,842,914	\$ 50,964	\$ 54,216	\$ 6,642,238	\$ 5,897,130
Capital Assets	\$ 8,971,323	\$ 9,104,445	\$ 27,988	\$ 34,289	\$ 8,999,311	\$ 9,138,734
Total Assets	\$ 15,562,597	\$ 14,947,359	\$ 78,952	\$ 88,505	\$ 15,641,549	\$ 15,035,864
Long-Term Liabilities	\$ 4,874,618	\$ 5,688,026	\$ -	\$ -	\$ 4,874,618	\$ 5,688,026
Other Liabilities	\$ 4,182,976	\$ 3,711,024	\$ -	\$ -	\$ 4,182,976	\$ 3,711,024
Total Liabilities	\$ 9,057,594	\$ 9,399,050	\$ -	\$ -	\$ 9,057,594	\$ 9,399,050
Net Assets:						
Invested in Capital Assets, net of related debt	\$ 3,423,176	\$ 2,777,800	\$ 27,988	\$ 34,289	\$ 3,451,164	\$ 2,812,089
Restricted	\$ 1,597,391	\$ 1,312,081			\$ 1,597,391	\$ 1,312,081
Unrestricted	\$ 1,484,436	\$ 1,458,428	\$ 50,964	\$ 54,216	\$ 1,535,400	\$ 1,512,644
Total Net Assets	\$ 6,505,003	\$ 5,548,309	\$ 78,952	\$ 88,505	\$ 6,583,955	\$ 5,636,814

The District's combined net assets increased by nearly 16.80%, or approximately \$947,141, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$285, 310, or 21.75% over the prior year. The increase was primarily a result of increased receipts from the local option sales and services taxes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$22,756, or 1.50%. This increase in unrestricted net assets was a result of the District reducing actual expenditures over the past year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total School District	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
General Revenues						
Property taxes levied for:						
General purposes	2,235,491	2,218,601			2,235,491	2,218,601
Debt service	382,456	210,259			382,456	210,259
Capital Projects	180,581	181,449			180,581	181,449
Income Surtax	206,434	214,582			206,434	214,582
Local option sales and services tax	880,219	860,772			880,219	860,772
Unrestricted state grants	3,332,535	3,256,638			3,332,535	3,256,638
Unrestricted investment earnings	57,047	16,405	527	273	57,574	16,678
Other revenue	0	8,384			0	8,384
Total General Revenues	7,274,763	6,967,090	527	273	7,275,290	6,967,363
Net Program Expenses						
Instruction	3,436,413	3,309,383			3,436,413	3,309,383
Support services	2,369,824	2,216,775			2,369,824	2,216,775
Non-instructional programs	0	0	10,080	2,484	10,080	2,484
Other expenditures	511,832	524,072			511,832	524,072
Total net expenses	6,318,069	6,050,230	10,080	2,484	6,328,149	6,052,714
CHANGE IN NET ASSETS	956,694	916,860	(9,553)	(2,211)	947,141	914,649
Net assets beginning of year	5,548,309	4,631,449	88,505	90,716	5,636,814	4,722,165
Net assets end of year	6,505,003	5,548,309	78,952	88,505	6,583,955	5,636,814

Property tax and unrestricted state grants account for 84.27% of the total general revenues. The District's expenses primarily relate to instruction and support services, which account for 91.90% of the total net expenses.

Governmental Activities

The governmental expenses, in Figure A-4, are shown net of revenues from charges for services and operating grants. During fiscal year 2005 the District had \$790,751 of revenue from charges for services which mainly consist of tuition revenues, textbook fees and revenues from student activities. The District had \$674,124 of revenues from operating grants during

fiscal year 2005. Operating grants are federal and state grants that must be used for a specific purpose.

Revenues exceeded net expenses in the governmental funds by \$956,694. During the year the District used property tax and sales tax revenues to repay \$800,144 of bond principal, which contributed to the increase in net assets. The payment of principal is not reported as an expense, but instead reduces long-term debt liability on the statement of net assets. By controlling expenses the District increased cash balances, which also contributed to the increase in net assets.

Business Type Activities

Revenues for business type activities were \$355,746 and expenses were \$365,299. The District's business type activities include the School Nutrition Fund and the Vending Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,172,994, well above last year's ending fund balances of \$2,851,178.

Governmental Fund Highlights

- The General Fund balance increased from \$1,351,554 to \$1,408,778, due in part to the District maintaining a line-item expenditure budget.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$211,076 in fiscal 2004 to \$218,937 in fiscal 2005. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Management Fund balance decreased \$18,538 from a balance of \$193,874 in fiscal year 2004 to \$175,336 in fiscal year 2005. The decrease in fund balance was a result of increased expenditures requiring the District to use carryover fund balance to meet its financial obligations during the fiscal year.
- The Capital Projects Fund balance increased from \$929,663 in fiscal year 2004 to \$1,213,213 in fiscal year 2005. The increase was a result of excess local option sales and services tax collections during the year. \$794,572 of the fund balance is reserved for future revenue bond payments and the remaining fund balance of 418,641 may be used for future capital asset acquisitions or for building and grounds repairs and improvements.

Proprietary Fund Highlights

School Nutrition Fund and Vending Fund net assets decreased from \$88,505 at June 30, 2004 to \$78,952 at June 30, 2005, representing a decrease of approximately 10.79%. For fiscal 2005, the District's operating expenses increased resulting in the decrease in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its annual budget one time to increase budgeted expenditures in the non-instructional programs area by \$649,000.

The District's receipts were \$72,592 more than budgeted receipts, a variance of 0.81%. The most significant variances resulted from the District receiving less in federal aid than originally anticipated and more in local sources than expected.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$8,999,311, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This represents a net decrease of 1.46% from last year. The District spent approximately \$181,667 during fiscal year 2005 to acquire a 65-passenger bus, two vans, a computer lab, and asphalt surfacing. More detailed information about capital assets is available in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, the District had \$5,810,283 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of \$768,121, approximately 11.68% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In April 2003 the District issued \$3,160,000 of general obligation refunding bonds with interest rates ranging between 1.20% to 3.20%. The District issued the bonds to advance refund \$3,125,000 of the outstanding 1994 general obligation bonds with interest rates of 4.25% to 5.00%. The District reduced the outstanding principal on the general obligation refunding bonds by \$305,000 during the 2004/2005 school year.

During fiscal year 2001 local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure to Central Elementary in Alleman and West Elementary in Polk City. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The District reduced the

outstanding principal on the local option sales and services tax revenue bonds by \$475,000 during the 2004/2005 school year.

Figure A-5
Outstanding Long-Term Obligations

	Total School District		Total Change	
	June 30,		June 30,	
	2005	2004	2004-2005	
General Obligation Bonds	\$ 2,745,000	\$ 3,050,000	\$ (305,000)	-10.00%
Local Option Sales and Services				
Tax Revenue Bonds	\$ 2,760,000	\$ 3,235,000	\$ (475,000)	-14.68%
Capital Leases	\$ 43,147	\$ 41,645	\$ 1,502	3.61%
Early Retirement	\$ 204,498	\$ 221,076	\$ (16,578)	-7.50%
Compensated Absences	\$ 57,638	\$ 30,683	\$ 26,955	87.85%
	<u>\$ 5,810,283</u>	<u>\$ 6,578,404</u>	<u>\$ (768,121)</u>	<u>-11.68%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced increased enrollment for the past several years, the District expects continued increased enrollment due to new housing developments in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal year 2006 at an approximate cost of \$55,000. To pay for this bus, the District will use resources from the Physical Plant and Equipment Levy Fund.
- Fiscal 2005 was the last year of a one-year contract with the North Polk Education Association (NPEA). The District will negotiate a new agreement during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent E. Bultman, District Secretary/Treasurer and

Business Manager, North Polk Community School District, 313 NE 141st Avenue, Alleman, Iowa, 50007.

BASIC FINANCIAL STATEMENTS

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	3,073,439	31,531	3,104,970
Receivables:			
Property tax:			
Delinquent	34,629	-	34,629
Succeeding year	3,105,528	-	3,105,528
Due from other governments	377,678	-	377,678
Inventories	-	13,934	13,934
Prepaid expenses	-	5,499	5,499
Capital assets, net of accumulated depreciation	<u>8,971,323</u>	<u>27,988</u>	<u>8,999,311</u>
Total assets	<u>15,562,597</u>	<u>78,952</u>	<u>15,641,549</u>
Liabilities			
Accounts payable	57,006	-	57,006
Salaries and benefits payable	67,004	-	67,004
Deferred revenue:			
Succeeding year property tax	3,105,528	-	3,105,528
Accrued interest payable	17,773	-	17,773
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	310,000	-	310,000
Revenue bonds payable	500,000	-	500,000
Capital leases	32,751	-	32,751
Early retirement	35,276	-	35,276
Compensated absences	57,638	-	57,638
Portion due after one year:			
General obligation bonds payable	2,435,000	-	2,435,000
Revenue bonds payable	2,260,000	-	2,260,000
Capital leases	10,396	-	10,396
Early retirement	<u>169,222</u>	<u>-</u>	<u>169,222</u>
Total liabilities	<u>9,057,594</u>	<u>-</u>	<u>9,057,594</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,423,176	27,988	3,451,164
Restricted for:			
Phase III	7,083	-	7,083
Gifted and talented program	19,201	-	19,201
Physical plant and equipment levy	218,937	-	218,937
Other special revenue purposes	117,333	-	117,333
Local option sales tax capital projects	418,641	-	418,641
Debt service	816,196	-	816,196
Unrestricted	<u>1,484,436</u>	<u>50,964</u>	<u>1,535,400</u>
Total net assets	<u><u>6,505,003</u></u>	<u><u>78,952</u></u>	<u><u>6,583,955</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	3,499,142	471,991	328,594	-
Special instruction	568,594	77,043	76,267	-
Other instruction	573,489	241,717	9,200	-
	<u>4,641,225</u>	<u>790,751</u>	<u>414,061</u>	<u>-</u>
Support services:				
Student services	321,212	-	-	-
Instructional staff services	194,186	-	-	-
Administration services	843,292	-	-	-
Operation and maintenance of plant services	649,684	-	-	-
Transportation services	365,372	-	3,922	-
	<u>2,373,746</u>	<u>-</u>	<u>3,922</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	55,217	-	-	-
Long-term debt interest	223,073	-	1,954	-
AEA flowthrough	254,187	-	254,187	-
Depreciation (unallocated)*	235,496	-	-	-
	<u>767,973</u>	<u>-</u>	<u>256,141</u>	<u>-</u>
Total governmental activities	<u>7,782,944</u>	<u>790,751</u>	<u>674,124</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	364,412	253,675	99,114	-
Vending	887	2,430	-	-
Total business-type activities	<u>365,299</u>	<u>256,105</u>	<u>99,114</u>	<u>-</u>
Total	<u>8,148,243</u>	<u>1,046,856</u>	<u>773,238</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,698,557)	-	(2,698,557)
(415,284)	-	(415,284)
<u>(322,572)</u>	-	<u>(322,572)</u>
<u>(3,436,413)</u>	-	<u>(3,436,413)</u>
(321,212)	-	(321,212)
(194,186)	-	(194,186)
(843,292)	-	(843,292)
(649,684)	-	(649,684)
<u>(361,450)</u>	-	<u>(361,450)</u>
<u>(2,369,824)</u>	-	<u>(2,369,824)</u>
(55,217)	-	(55,217)
(221,119)	-	(221,119)
-	-	-
<u>(235,496)</u>	-	<u>(235,496)</u>
<u>(511,832)</u>	-	<u>(511,832)</u>
<u>(6,318,069)</u>	-	<u>(6,318,069)</u>
-	(11,623)	(11,623)
-	1,543	1,543
-	<u>(10,080)</u>	<u>(10,080)</u>
<u>(6,318,069)</u>	<u>(10,080)</u>	<u>(6,328,149)</u>
2,235,491	-	2,235,491
382,456	-	382,456
180,581	-	180,581
206,434	-	206,434
880,219	-	880,219
3,332,535	-	3,332,535
<u>57,047</u>	<u>527</u>	<u>57,574</u>
<u>7,274,763</u>	<u>527</u>	<u>7,275,290</u>
956,694	(9,553)	947,141
<u>5,548,309</u>	<u>88,505</u>	<u>5,636,814</u>
<u>6,505,003</u>	<u>78,952</u>	<u>6,583,955</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,453,242	1,078,003	34,623	507,571	3,073,439
Receivables:					
Property tax:					
Delinquent	25,820	-	4,774	4,035	34,629
Succeeding year	2,362,426	-	389,453	353,649	3,105,528
Due from other governments	242,468	135,210	-	-	377,678
Total assets	4,083,956	1,213,213	428,850	865,255	6,591,274
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	57,006	-	-	-	57,006
Salaries and benefits payable	67,004	-	-	-	67,004
Deferred revenue:					
Succeeding year property tax	2,362,426	-	389,453	353,649	3,105,528
Other	188,742	-	-	-	188,742
Total liabilities	2,675,178	-	389,453	353,649	3,418,280
Fund balances:					
Reserved for:					
Phase III	7,083	-	-	-	7,083
Gifted and talented program	19,201	-	-	-	19,201
Reserved for debt service - revenue bonds	-	794,572	-	-	794,572
Reserved for debt service - general obligation bonds	-	-	39,397	-	39,397
Unreserved reported in:					
General fund - designated for cash flow	750,000	-	-	-	750,000
General fund - undesignated	632,494	-	-	-	632,494
Special revenue funds - undesignated	-	-	-	511,606	511,606
Capital projects funds - undesignated	-	418,641	-	-	418,641
Total fund balances	1,408,778	1,213,213	39,397	511,606	3,172,994
Total liabilities and fund balances	4,083,956	1,213,213	428,850	865,255	6,591,274

NORTH POLK 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 (Exhibit C)	3,172,994
<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 reported as assets in the governmental funds.	8,971,323
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	188,742
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	(17,773)
Long-term liabilities, including bonds payable, capital leases, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,810,283)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,505,003</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund \$	Capital Projects \$	Debt Service \$	Nonmajor Governmental Funds \$	Total \$
Revenues:					
Local sources:					
Local tax	2,293,217	880,219	382,456	331,636	3,887,528
Tuition	461,602	-	-	-	461,602
Other	117,791	20,334	1,954	248,071	388,150
State sources	3,889,212	-	-	-	3,889,212
Federal sources	115,493	-	-	-	115,493
Total revenues	<u>6,877,315</u>	<u>900,553</u>	<u>384,410</u>	<u>579,707</u>	<u>8,741,985</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,441,205	-	-	112,291	3,553,496
Special instruction	575,500	-	-	-	575,500
Other instruction	322,966	-	-	248,129	571,095
	<u>4,339,671</u>	<u>-</u>	<u>-</u>	<u>360,420</u>	<u>4,700,091</u>
Support services:					
Student services	321,212	-	-	-	321,212
Instructional staff services	194,186	-	-	-	194,186
Administration services	713,603	-	-	102,734	816,337
Operation and maintenance of plant services	648,104	-	-	-	648,104
Transportation services	349,128	-	-	52,528	401,656
	<u>2,226,233</u>	<u>-</u>	<u>-</u>	<u>155,262</u>	<u>2,381,495</u>
Other expenditures:					
Facilities acquisition	-	2,818	-	77,781	80,599
Long-term debt:					
Principal	-	-	800,144	-	800,144
Interest and fiscal charges	-	-	225,299	-	225,299
AEA flowthrough	254,187	-	-	-	254,187
	<u>254,187</u>	<u>2,818</u>	<u>1,025,443</u>	<u>77,781</u>	<u>1,360,229</u>
Total expenditures	<u>6,820,091</u>	<u>2,818</u>	<u>1,025,443</u>	<u>593,463</u>	<u>8,441,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,224</u>	<u>897,735</u>	<u>(641,033)</u>	<u>(13,756)</u>	<u>300,170</u>
Other financing sources (uses):					
Proceeds from capital lease	-	-	-	21,646	21,646
Operating transfers in	-	-	637,125	-	637,125
Operating transfers out	-	(614,185)	-	(22,940)	(637,125)
Total other financing sources (uses)	<u>-</u>	<u>(614,185)</u>	<u>637,125</u>	<u>(1,294)</u>	<u>21,646</u>
Net change in fund balances	57,224	283,550	(3,908)	(15,050)	321,816
Fund balances beginning of year	<u>1,351,554</u>	<u>929,663</u>	<u>43,305</u>	<u>526,656</u>	<u>2,851,178</u>
Fund balances end of year	<u>1,408,778</u>	<u>1,213,213</u>	<u>39,397</u>	<u>511,606</u>	<u>3,172,994</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		321,816
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	181,667	
Depreciation expense	<u>(314,789)</u>	(133,122)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		(2,347)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		800,144
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.		
		2,226
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	16,578	
Compensated absences	<u>(26,955)</u>	(10,377)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		<u>(21,646)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>956,694</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	31,531
Inventories	13,934
Prepaid expenses	5,499
Capital assets, net of accumulated depreciation	<u>27,988</u>
Total assets	78,952
Liabilities	<u>-</u>
Net assets	
Invested in capital assets, net of related debt	27,988
Unrestricted	<u>50,964</u>
Total net assets	<u><u>78,952</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>256,105</u>
Operating expenses:	
Non-instructional programs:	
Salaries	131,346
Benefits	21,689
Purchased services	694
Supplies	205,269
Depreciation	<u>6,301</u>
	<u>365,299</u>
Operating gain (loss)	<u>(109,194)</u>
Non-operating revenue:	
State sources	5,511
Federal sources	93,603
Interest income	<u>527</u>
Total non-operating revenue	<u>99,641</u>
Change in net assets	(9,553)
Net assets beginning of year	<u>88,505</u>
Net assets end of year	<u><u>78,952</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	253,675
Cash received from vending machines	2,430
Cash payments to employees for services	(153,035)
Cash payments to suppliers for goods or services	(187,402)
Net cash used by operating activities	<u>(84,332)</u>
Cash flows from non-capital financing activities:	
State grants received	5,511
Federal grants received	66,250
Net cash provided by non-capital financing activities	<u>71,761</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,499)</u>
Cash flows from investing activities:	
Interest on investments	<u>549</u>
Net increase (decrease) in cash and cash equivalents	(17,521)
Cash and cash equivalents at beginning of year	<u>49,052</u>
Cash and cash equivalents at end of year	<u><u>31,531</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(109,194)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	27,920
Depreciation	6,301
Decrease (increase) in inventories	(9,359)
Net cash used in operating activities	<u><u>(84,332)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$27,920 of federal commodities.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship <u>\$</u>
Assets	
Cash and pooled investments	6,561
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>6,561</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	500
Interest	<u>86</u>
Total additions	586
Deductions	<u>-</u>
Change in net assets	586
Net assets beginning of year	<u>5,975</u>
Net assets end of year	<u><u>6,561</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the support services function exceeded the amount budgeted

2. **Cash and Pooled Investments**

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

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

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	659,361

Credit risk: The investment in Goldman Sachs Financial Square Treasury Obligations Fund was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Nonmajor Funds - PPEL	22,940
Debt Service Fund	Capital Projects Fund	614,185

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

4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	411,634	-	-	411,634
Capital assets being depreciated:				
Buildings	11,641,755	7,996	-	11,649,751
Improvements other than buildings	16,950	13,387	-	30,337
Furniture and equipment	1,621,030	160,284	-	1,781,314
Total capital assets being deprec.	<u>13,279,735</u>	<u>181,667</u>	-	<u>13,461,402</u>
Less accumulated depreciation for:				
Buildings	3,185,356	233,979	-	3,419,335
Improvements other than buildings	848	1,517	-	2,365
Furniture and equipment	1,400,720	79,293	-	1,480,013
Total accumulated depreciation	<u>4,586,924</u>	<u>314,789</u>	-	<u>4,901,713</u>
Total capital assets being depreciated, net	<u>8,692,811</u>	<u>(133,122)</u>	-	<u>8,559,689</u>
Governmental activities capital assets, net	<u><u>9,104,445</u></u>	<u><u>(133,122)</u></u>	<u><u>-</u></u>	<u><u>8,971,323</u></u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	73,025	-	-	73,025
Less accumulated depreciation	<u>38,736</u>	<u>6,301</u>	<u>-</u>	<u>45,037</u>
Business type activities capital assets, net	<u>34,289</u>	<u>(6,301)</u>	<u>-</u>	<u>27,988</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	20,051
Special	1,151
Other	2,394
Support Services:	
Operation and maintenance of plant services	9,988
Transportation	<u>45,709</u>
	79,293
Unallocated depreciation	<u>235,496</u>
Total depreciation expense – governmental activities	<u>314,789</u>
Business type activities:	
Food services	<u>6,301</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,050,000	-	305,000	2,745,000	310,000
Local option sales and services tax revenue bonds	3,235,000	-	475,000	2,760,000	500,000
Capital leases	41,645	21,646	20,144	43,147	32,751
Early retirement	221,076	42,973	59,551	204,498	35,276
Compensated absences	<u>30,683</u>	<u>57,638</u>	<u>30,683</u>	<u>57,638</u>	<u>57,638</u>
Total	<u>6,578,404</u>	<u>122,257</u>	<u>890,378</u>	<u>5,810,283</u>	<u>935,665</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include a cash payment of the lesser of \$10,000 or 30% of current salary. Benefits also include health insurance until age 65. Early retirement expenditures for the year ended June 30, 2005 totaled \$59,551.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April, 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	2.20	310,000	77,453	387,453
2007	2.45	315,000	70,633	385,633
2008	2.65	325,000	62,915	387,915
2009	2.90	335,000	54,303	389,303
2010	2.95	345,000	44,588	389,588
2011-2013	2.95-3.20	1,115,000	70,520	1,185,520
		<u>2,745,000</u>	<u>380,412</u>	<u>3,125,412</u>

Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	4.50	500,000	117,810	617,810
2007	4.10	530,000	95,310	625,310
2008	4.15	550,000	73,580	623,580
2009	4.25	575,000	50,756	625,756
2010	4.35	605,000	26,318	631,318
		<u>2,760,000</u>	<u>363,774</u>	<u>3,123,774</u>

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

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

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

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

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2005.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2006	34,948
	2007	<u>10,755</u>
Minimum Lease Payments		45,703
Less Amount Representing Interest		<u>2,556</u>
Present Value of Minimum Lease Payments		<u>43,147</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$247,006, \$237,436, and \$231,449 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$254,187 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.

9. Lease Commitment

The District entered into a five-year operating lease for copy machines in March 2004. The payments the District will make over the next four years are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
	\$
2006	31,056
2007	31,056
2008	31,056
2009	20,704

The District paid \$31,056 in rent payments during the year.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	4,704,819	256,654	4,961,473	4,697,213	4,697,213	264,260
State sources	3,888,658	5,511	3,894,169	3,898,351	3,898,351	(4,182)
Federal sources	114,544	94,170	208,714	396,200	396,200	(187,486)
Total receipts	<u>8,708,021</u>	<u>356,335</u>	<u>9,064,356</u>	<u>8,991,764</u>	<u>8,991,764</u>	<u>72,592</u>
Disbursements:						
Instruction	4,598,334	-	4,598,334	5,409,126	5,409,126	810,792
Support services	2,364,300	-	2,364,300	2,286,200	2,286,200	(78,100)
Non-instructional programs	-	373,856	373,856	390,000	1,039,000	665,144
Other expenditures	1,360,229	-	1,360,229	1,664,850	1,664,850	304,621
Total disbursements	<u>8,322,863</u>	<u>373,856</u>	<u>8,696,719</u>	<u>9,750,176</u>	<u>10,399,176</u>	<u>1,702,457</u>
Excess (deficiency) of receipts over (under) disbursements	385,158	(17,521)	367,637	(758,412)	(1,407,412)	1,775,049
Other financing sources (uses) net	<u>21,646</u>	<u>-</u>	<u>21,646</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>671,646</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	406,804	(17,521)	389,283	(1,408,412)	(2,057,412)	2,446,695
Balance beginning of year	<u>2,666,635</u>	<u>49,052</u>	<u>2,715,687</u>	<u>2,485,511</u>	<u>2,485,511</u>	<u>230,176</u>
Balance end of year	<u><u>3,073,439</u></u>	<u><u>31,531</u></u>	<u><u>3,104,970</u></u>	<u><u>1,077,099</u></u>	<u><u>428,099</u></u>	<u><u>2,676,871</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	8,708,021	33,964	8,741,985
Expenditures	8,322,863	118,952	8,441,815
Net	385,158	(84,988)	300,170
Other financing sources (uses) net	21,646	-	21,646
Beginning fund balances	2,666,635	184,543	2,851,178
Ending fund balances	<u>3,073,439</u>	<u>99,555</u>	<u>3,172,994</u>

	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	356,335	(589)	355,746
Expenditures	373,856	(8,557)	365,299
Net	(17,521)	7,968	(9,553)
Beginning fund balances	49,052	39,453	88,505
Ending fund balances	<u>31,531</u>	<u>47,421</u>	<u>78,952</u>

NORTH POLK 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 Internal Service, 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 the 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 \$649,000.

During the year ended June 30, 2005, disbursements in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	173,462	117,333	216,776	507,571
Receivables:				
Property tax:				
Delinquent	1,874	-	2,161	4,035
Succeeding year	153,500	-	200,149	353,649
Total assets	<u>328,836</u>	<u>117,333</u>	<u>419,086</u>	<u>865,255</u>
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	153,500	-	200,149	353,649
Fund balances:				
Unreserved reported in:				
Special revenue funds	175,336	117,333	218,937	511,606
Total liabilities and fund balances	<u>328,836</u>	<u>117,333</u>	<u>419,086</u>	<u>865,255</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	151,055	-	180,581	331,636
Other	1,767	243,756	2,548	248,071
Total revenues	<u>152,822</u>	<u>243,756</u>	<u>183,129</u>	<u>579,707</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	67,741	-	44,550	112,291
Other instruction	-	248,129	-	248,129
Support services:				
Administration services	102,734	-	-	102,734
Transportation services	885	-	51,643	52,528
Other expenditures:				
Facilities acquisition	-	-	77,781	77,781
Total expenditures	<u>171,360</u>	<u>248,129</u>	<u>173,974</u>	<u>593,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,538)</u>	<u>(4,373)</u>	<u>9,155</u>	<u>(13,756)</u>
Other financing sources (uses):				
Proceeds from capital lease	-	-	21,646	21,646
Operating transfers out	-	-	(22,940)	(22,940)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,294)</u>	<u>(1,294)</u>
Net change in fund balances	(18,538)	(4,373)	7,861	(15,050)
Fund balances beginning of year	<u>193,874</u>	<u>121,706</u>	<u>211,076</u>	<u>526,656</u>
Fund balances end of year	<u><u>175,336</u></u>	<u><u>117,333</u></u>	<u><u>218,937</u></u>	<u><u>511,606</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2005

	<u>Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Vending</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and cash equivalents	27,768	3,763	31,531
Inventories	13,934	-	13,934
Prepaid expenses	5,499	-	5,499
Capital assets, net of accumulated depreciation	<u>27,988</u>	<u>-</u>	<u>27,988</u>
Total assets	75,189	3,763	78,952
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net assets			
Invested in capital assets, net of related debt	27,988	-	27,988
Unrestricted	<u>47,201</u>	<u>3,763</u>	<u>50,964</u>
Total net assets	<u>75,189</u>	<u>3,763</u>	<u>78,952</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2005

	Enterprise Funds		
	School Nutrition	Vending	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	253,675	2,430	256,105
Operating expenses:			
Non-instructional programs:			
Salaries	131,346	-	131,346
Benefits	21,689	-	21,689
Purchased services	694	-	694
Supplies	204,382	887	205,269
Depreciation	6,301	-	6,301
	364,412	887	365,299
Operating gain (loss)	(110,737)	1,543	(109,194)
Non-operating revenue:			
State sources	5,511	-	5,511
Federal sources	93,603	-	93,603
Interest income	527	-	527
Total non-operating revenue	99,641	-	99,641
Change in net assets	(11,096)	1,543	(9,553)
Net assets beginning of year	86,285	2,220	88,505
Net assets end of year	75,189	3,763	78,952

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprises Funds

Year ended June 30, 2005

	Enterprise Funds		
	School Nutrition	Vending	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	253,675	-	253,675
Cash received from vending machines	-	2,430	2,430
Cash payments to employees for services	(153,035)	-	(153,035)
Cash payments to suppliers for goods or services	(186,515)	(887)	(187,402)
Net cash used by operating activities	<u>(85,875)</u>	<u>1,543</u>	<u>(84,332)</u>
Cash flows from non-capital financing activities:			
State grants received	5,511	-	5,511
Federal grants received	66,250	-	66,250
Net cash provided by non-capital financing activities	<u>71,761</u>	<u>-</u>	<u>71,761</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(5,499)</u>	<u>-</u>	<u>(5,499)</u>
Cash flows from investing activities:			
Interest on investments	<u>549</u>	<u>-</u>	<u>549</u>
Net increase (decrease) in cash and cash equivalents	(19,064)	1,543	(17,521)
Cash and cash equivalents at beginning of year	<u>46,832</u>	<u>2,220</u>	<u>49,052</u>
Cash and cash equivalents at end of year	<u><u>27,768</u></u>	<u><u>3,763</u></u>	<u><u>31,531</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(110,737)	1,543	(109,194)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	27,920	-	27,920
Depreciation	6,301	-	6,301
Decrease (increase) in inventories	<u>(9,359)</u>	<u>-</u>	<u>(9,359)</u>
Net cash used in operating activities	<u><u>(85,875)</u></u>	<u><u>1,543</u></u>	<u><u>(84,332)</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Athletic Fund				
All sports	18,522	24,257	28,388	14,391
Weight lifting	357	-	-	357
Concessions equipment	100	170	-	270
Cross country	1,304	420	671	1,053
Candy machine	1,492	152	497	1,147
Cheerleading	322	5,571	5,456	437
Softball dugouts	3,260	-	600	2,660
Senior moms	22	-	-	22
Boys tennis	533	1,626	2,153	6
Boys basketball	4,418	13,575	11,483	6,510
Football	7,726	21,806	23,455	6,077
Soccer	761	3,920	3,876	805
Baseball	(85)	19,571	19,038	448
Boys track	1,209	7,008	7,643	574
Wrestling	722	3,993	2,735	1,980
Girls basketball	3,778	7,521	7,539	3,760
Volleyball	1,655	8,189	4,150	5,694
Girls tennis	1,086	106	1,147	45
Softball	1,864	14,517	13,512	2,869
Girls track	2,385	3,035	3,595	1,825
	<u>51,431</u>	<u>135,437</u>	<u>135,938</u>	<u>50,930</u>
Activity Fund				
Interest on investments	549	1,098	120	1,527
Elementary academic excellence	15,037	2,981	5,158	12,860
Camp Hantesa	1,825	2,557	3,142	1,240
Yearbook	2,911	12,841	11,697	4,055
Elementary yearbook	472	2,355	2,373	454
National Honor Society	342	1,180	1,147	375
Student council	2,823	3,327	3,709	2,441
Drama	1,199	579	258	1,520
Speech	-	50	50	-
Musical	726	-	14	712
Dance company	769	2,264	1,726	1,307
Flags	387	4,011	4,317	81
FFA	8,284	32,565	37,966	2,883
Horticulture	1,994	-	895	1,099
Tag/mock trial	957	-	659	298
National Art Honor Society	34	20	8	46
Spanish club	442	-	150	292

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Class of 2004	1,207	-	1,207	-
Class of 2005	6,718	21,849	26,992	1,575
Class of 2006	6,907	4,077	2,998	7,986
Class of 2007	6,181	2,238	4,544	3,875
Class of 2008	6,465	1,563	-	8,028
Class of 2009	2,998	3,862	2,089	4,771
Class of 2010	-	8,454	455	7,999
Junior-Senior high academic excellence	165	448	517	96
Elementary band	883	-	-	883
	<u>70,275</u>	<u>108,319</u>	<u>112,191</u>	<u>66,403</u>
Total	<u>121,706</u>	<u>243,756</u>	<u>248,129</u>	<u>117,333</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,887,528	3,662,930	3,400,886	3,148,976
Tuition	461,602	454,535	350,418	336,037
Other	388,150	337,436	404,360	361,878
State sources	3,889,212	3,767,570	3,742,178	3,517,337
Federal sources	115,493	134,184	141,844	128,611
Total revenues	<u>8,741,985</u>	<u>8,356,655</u>	<u>8,039,686</u>	<u>7,492,839</u>
Expenditures:				
Instruction:				
Regular instruction	3,553,496	3,270,362	3,062,062	3,054,067
Special instruction	575,500	635,666	631,118	671,952
Other instruction	571,095	543,787	529,360	568,510
Support services:				
Student services	321,212	314,519	253,496	261,121
Instructional staff services	194,186	166,126	186,801	188,545
Administration services	816,337	753,917	723,412	698,688
Operation and maintenance of plant services	648,104	643,084	562,503	494,108
Transportation services	401,656	336,161	266,483	291,179
Non-instructional programs	-	-	2,333	2,188
Other expenditures:				
Facilities acquisition	80,599	51,113	170,455	3,937,611
Long-term debt:				
Principal	800,144	555,000	660,000	630,000
Interest and other charges	225,299	257,537	374,900	366,780
AEA flowthrough	254,187	253,854	261,812	251,140
Total expenditures	<u>8,441,815</u>	<u>7,781,126</u>	<u>7,684,735</u>	<u>11,415,889</u>

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
North Polk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Polk Community School District 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 September 23, 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 North Polk Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 05-I-A, 05-I-B and 05-I-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Polk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 North Polk Community School District and other parties to whom North Polk 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 North Polk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.

Certified Public Accountants

September 23, 2005

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

05-I-B Supporting Documentation: We tested sixteen Student Activity Fund expenditures and twenty-nine General Fund expenditures. We noted four Student Activity Fund disbursements totaling \$2,740 and one General Fund postage disbursement for \$740 that were missing or had incomplete supporting documentation.

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

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

Conclusion: Response accepted.

05-I-C Athletic Gate Admissions: The District is not using a ticket system to control the proceeds from all school events that charge admission.

Recommendation: The District should use a ticket system for all events that charge an admission. A pre-numbered ticket should be issued to each paying spectator. At the end of the event two people should count the cash and reconcile the amount collected to the number of tickets sold. The cash should then be taken to the bank's night depository, or locked securely in the school. The actual bank deposit should be verified by comparing it to the cash reconciliation sheet, which was prepared immediately after the event.

District Response: We will evaluate the benefits of using a ticket system.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Conclusion: Response accepted.

Part II: Other Findings Related to Statutory Reporting:

05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget: Disbursement for the year ended June 30, 2005, exceeded the amount budgeted in the support services function.

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

District Response: We did amend our budget, but year-end expenditures in the support services area were more than anticipated.

Conclusion: Response accepted.

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

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

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

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

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

05-II-H Certified Enrollment: The calculations for line 12, Supplemental Weighting on the September 2004 Certified Enrollment Form included one open enrollment in student.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

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

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

05-II-L Student Activity and School Nutrition Fund Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the bills for the Student Activity Fund and the School Nutrition Fund were not being published as required by Iowa law.

Recommendation: The District should begin publishing the Student Activity Fund and School Nutrition Fund bills that have been approved by the board.

District Response: We will begin publishing these bills.

Conclusion: Response accepted.

05-II-M Home School Assistance Program Expenditures: We reviewed expenditures of State monies received for the home school assistance program. We noted two payments, totaling \$124, for school supplies made from the District directly to parents of home schooled students.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Recommendation: The District should not be making payments to parents. The District may purchase education supplies for the home school assistance program directly from the vendors.

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

Any supplies purchased for the home school program must be the type of supplies that the District would purchase for use in the public school.

District Response: We are no longer reimbursing parents for supplies. We will monitor the types of supplies that are purchased for the home school assistance program.

Conclusion: Response accepted.