

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Terry Carlson	President	2006
Ron Peterman	Board Member	2005
Ellen Nothwehr	Board Member	2006
Brenda Swanson	Board Member	2004
Larry Murphy	Board Member	2005
Board of Education (After September 2004 Election)		
Larry Murphy	President	2005
Ron Peterman	Board Member	2005
Ellen Nothwehr	Board Member	2006
Brenda Swanson	Board Member	2007
Terry Carlson	Board Member	2006
School Officials		
Dr. William Stattelma	Superintendent	2005
Tammie Woodruff	District Secretary	2005
Ahlers & Cooney, P.C.	Attorney	2005

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Page Community School District, College Springs, 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 South Page Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Page Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,512,289 in fiscal 2004 to \$2,444,317 in fiscal 2005, while General Fund expenditures increased from \$2,229,480 in fiscal 2004 to \$2,426,380 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$581,029 in fiscal 2004 to a balance of \$598,966 in fiscal 2005, a 3.1% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources in fiscal 2005. The increase in expenditures was due primarily to an increase in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

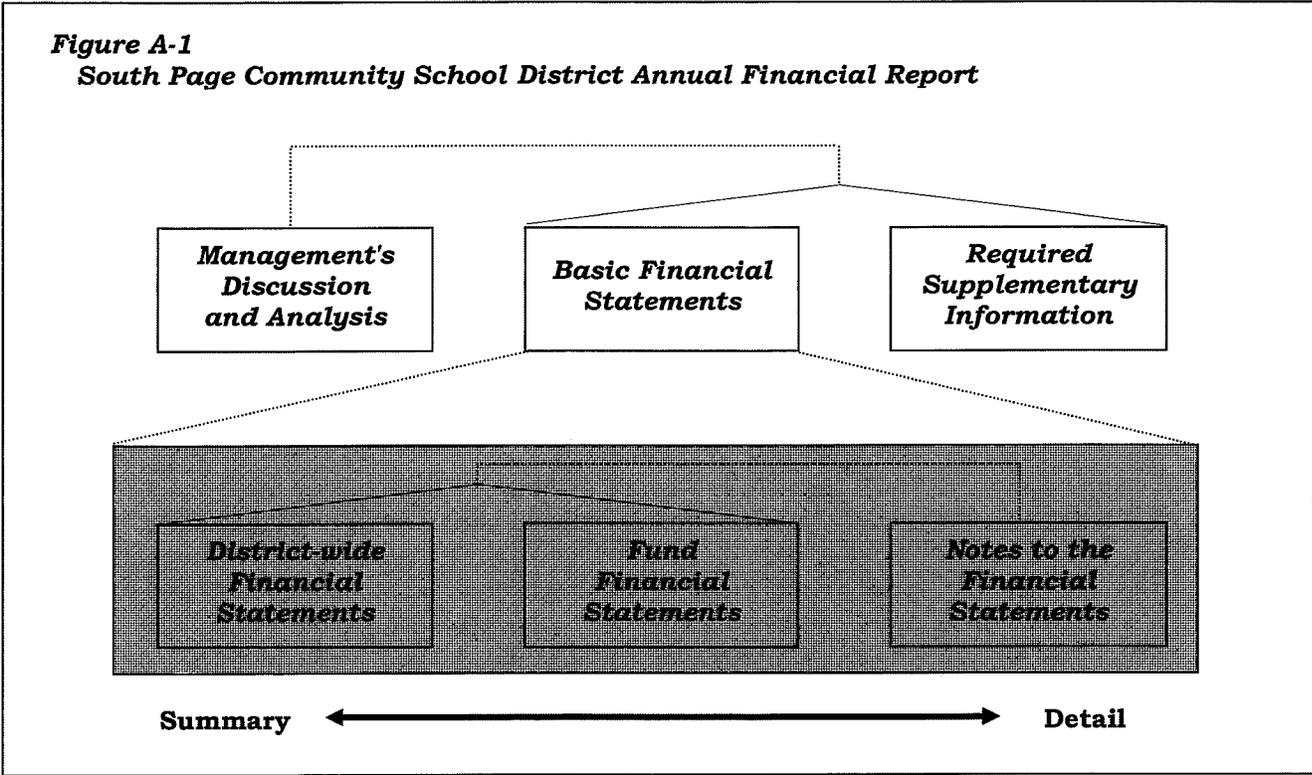


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 revenues, expenses and changes in 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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 the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 2,056,054	2,200,216	2,456	(16,672)	2,058,510	2,183,544	-5.73%
Capital assets	1,350,504	1,353,602	0	2,067	1,350,504	1,355,669	-0.38%
Total assets	3,406,558	3,553,818	2,456	(14,605)	3,409,014	3,539,213	-3.68%
Long-term obligations	230,000	260,000	0	0	230,000	260,000	-11.54%
Other liabilities	1,231,890	1,351,969	18,166	1,663	1,250,056	1,353,632	-7.65%
Total liabilities	1,461,890	1,611,969	18,166	1,663	1,480,056	1,613,632	-8.28%
Net assets:							
Invested in capital assets, net of related debt	1,158,905	1,271,892	0	2,067	1,158,905	1,273,959	-9.03%
Restricted	39,177	111,575	0	0	39,177	111,575	-64.89%
Unrestricted	746,586	558,382	(15,710)	(18,335)	730,876	540,047	35.34%
Total net assets	\$ 1,944,668	1,941,849	(15,710)	(16,268)	1,928,958	1,925,581	0.18%

The District's combined net assets increased by .18%, or \$3,377, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's

restricted net assets decreased \$72,398, or 64.89% over the prior year. The decrease was primarily a result of the District's special revenue funds decrease in fund balances.

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 \$190,829, or 35.34%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 194,515	214,321	39,346	41,175	233,861	255,496
Operating grants and contributions and restricted interest	347,795	415,383	54,034	55,238	401,829	470,621
Capital grants and contributions and restricted interest	0	298,650	0	0	0	298,650
General revenues:						
Property tax	1,022,306	997,336	0	0	1,022,306	997,336
Local option sales and services tax	145,569	161,861	0	0	145,569	161,861
Unrestricted state grants	1,034,427	1,078,879	0	0	1,034,427	1,078,879
Other	10,748	4,501	0	0	10,748	4,501
Total revenues	<u>2,755,360</u>	<u>3,170,931</u>	<u>93,380</u>	<u>96,413</u>	<u>2,848,740</u>	<u>3,267,344</u>
Program expenses:						
Governmental activities:						
Instructional	1,676,195	1,639,929	0	0	1,676,195	1,639,929
Support services	801,417	710,664	0	0	801,417	710,664
Non-instructional programs	0	0	92,822	106,534	92,822	106,534
Other expenses	274,929	714,711	0	0	274,929	714,711
Total expenses	<u>2,752,541</u>	<u>3,065,304</u>	<u>92,822</u>	<u>106,534</u>	<u>2,845,363</u>	<u>3,171,838</u>
Changes in net assets	\$ 2,819	105,627	558	(10,121)	3,377	95,506

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$2,755,360 and expenses were \$2,752,541. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,676,195	1,228,806
Support services	801,417	799,108
Other expenses	274,929	182,317
Totals	\$ 2,752,541	2,210,231

- The cost financed by users of the District’s programs was \$194,515.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$347,795.
- The net cost of governmental activities was financed with \$1,022,306 in property tax, \$145,569 in local option sales and services tax, \$1,034,427 in state foundation aid and \$10,308 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$93,380 and expenses were \$92,822. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$824,859, below last year’s ending fund balances of a \$849,051. However, the primary reason for the decrease in combined fund balances in fiscal 2005 is due to the special revenue funds fund balances decreasing.

Governmental Fund Highlights

- The District’s improving General Fund financial position is the product of many factors:

-
- The increase in local sources of revenue over the prior year helped to increase the General Fund balance.
 - The Capital Projects Fund balance increased from \$148,708 in fiscal 2004 to \$158,870 in fiscal 2005. This increase was because the District's expenditures were less this year than the prior year.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit \$16,268 at June 30, 2004 to a deficit \$15,710 at June 30, 2005, representing an increase of 3.4%. For fiscal 2005, the District received less monies from charges for services, state and federal sources.

BUDGETARY HIGHLIGHTS

The District's revenues were \$150,518 less than budgeted revenues, a variance of 5.02%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,350,504, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of .38% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$111,466.

The original cost of the District's capital assets was \$3,872,472. Governmental funds account for \$3,801,360 with the remainder of \$71,112 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$79,328 at June 30, 2005, compared to \$88,141 reported at June 30, 2004.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change 2004-05
	2005	2004	2005	2004	2005	2004	
	Land	\$ 52,000	52,000	0	0	52,000	
Buildings	1,155,677	1,158,638	0	0	1,155,677	1,158,638	-0.26%
Land improvements	79,328	88,141	0	0	79,328	88,141	-11.11%
Machinery and equipment	63,499	54,823	0	2,067	63,499	56,890	10.41%
Total	\$ 1,350,504	1,353,602	0	2,067	1,350,504	1,355,669	-0.38%

Long-Term Debt

At June 30, 2005, the District had \$230,000 in revenue bonded indebtedness outstanding. This represents a decrease of 11.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding revenue bonds of \$230,000 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Revenue bonds	\$ 230,000	260,000	-11.5%
Totals	\$ 230,000	260,000	-11.5%

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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Certified enrollment decreased in the 2004-2005 school year, which will decrease revenues for the 2005-2006 school year.

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 the South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 222,015	0	222,015
Other	836,575	0	836,575
Receivables:			
Property tax:			
Delinquent	29,918	0	29,918
Succeeding year	917,930	0	917,930
Accounts	6,946	0	6,946
Accrued interest - ISCAP (Note 5)	47	0	47
Due from other governments	42,623	0	42,623
Inventories	0	2,456	2,456
Capital assets, net of accumulated depreciation(Note 6)	1,350,504	0	1,350,504
TOTAL ASSETS	3,406,558	2,456	3,409,014
LIABILITIES			
Excess of warrants issued over bank balance	0	16,544	16,544
Accounts payable	80,975	0	80,975
Salaries and benefits payable	5,452	23	5,475
Due to other governments	2,828	0	2,828
ISCAP warrants payable (Note 5)	221,000	0	221,000
ISCAP accrued interest payable (Note 5)	42	0	42
ISCAP unamortized premium	2,968	0	2,968
Accrued interest payable	695	0	695
Deferred revenue:			
Succeeding year property tax	917,930	0	917,930
Other	0	1,599	1,599
Long-term liabilities (Note 7):			
Portion due within one year:			
Revenue bonds payable	35,000	0	35,000
Portion due after one year:			
Revenue bonds payable	195,000	0	195,000
TOTAL LIABILITIES	1,461,890	18,166	1,480,056
NET ASSETS			
Investment in capital assets, net of related debt	1,158,905	0	1,158,905
Restricted for:			
Phase III	2,437	0	2,437
Early intervention	8,813	0	8,813
Management levy	10,511	0	10,511
Physical plant and equipment levy	6,705	0	6,705
Other special revenue purposes	10,711	0	10,711
Unrestricted	746,586	(15,710)	730,876
TOTAL NET ASSETS	\$ 1,944,668	(15,710)	1,928,958

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,026,652	193,637	236,236
Special instruction	319,517	878	16,638
Other instruction	330,026	0	0
	<u>1,676,195</u>	<u>194,515</u>	<u>252,874</u>
Support services:			
Student services	4,178	0	0
Instructional staff services	52,201	0	0
Administration services	320,252	0	0
Operation and maintenance of plant services	252,943	0	0
Transportation services	171,843	0	2,309
	<u>801,417</u>	<u>0</u>	<u>2,309</u>
Other expenditures:			
Facilities and acquisitions	96,369	0	0
Long-term debt interest	9,284	0	0
AEA flowthrough	92,612	0	92,612
Depreciation(unallocated) *	76,664	0	0
	<u>274,929</u>	<u>0</u>	<u>92,612</u>
Total governmental activities	2,752,541	194,515	347,795
Business-Type activities:			
Non-instructional programs:			
Nutrition services	92,822	39,346	54,034
Total business-type activities	<u>92,822</u>	<u>39,346</u>	<u>54,034</u>
Total	\$ 2,845,363	233,861	401,829

General Revenues:

Local tax for:
 General purposes
 Capital outlay
 Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Sale of equipment

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(596,779)	0	(596,779)
(302,001)	0	(302,001)
(330,026)	0	(330,026)
<u>(1,228,806)</u>	<u>0</u>	<u>(1,228,806)</u>
(4,178)	0	(4,178)
(52,201)	0	(52,201)
(320,252)	0	(320,252)
(252,943)	0	(252,943)
(169,534)	0	(169,534)
<u>(799,108)</u>	<u>0</u>	<u>(799,108)</u>
(96,369)	0	(96,369)
(9,284)	0	(9,284)
0	0	0
(76,664)	0	(76,664)
<u>(182,317)</u>	<u>0</u>	<u>(182,317)</u>
(2,210,231)	0	(2,210,231)
0	558	558
0	558	558
<u>(2,210,231)</u>	<u>558</u>	<u>(2,209,673)</u>
\$ 1,002,049	0	1,002,049
20,257	0	20,257
145,569	0	145,569
1,034,427	0	1,034,427
10,308	0	10,308
440	0	440
<u>2,213,050</u>	<u>0</u>	<u>2,213,050</u>
2,819	558	3,377
<u>1,941,849</u>	<u>(16,268)</u>	<u>1,925,581</u>
<u>\$ 1,944,668</u>	<u>(15,710)</u>	<u>1,928,958</u>

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP (Note 5)	\$ 222,015	0	0	222,015
Other	633,253	138,396	64,926	836,575
Receivables:				
Property tax:				
Delinquent	27,871	0	2,047	29,918
Succeeding year	832,489	0	85,441	917,930
Interfund	0	0	100	100
Accounts	6,946	0	0	6,946
Accrued interest - ISCAP (Note 5)	47	0	0	47
Due from other governments	22,149	20,474	0	42,623
TOTAL ASSETS	\$ 1,744,770	158,870	152,514	2,056,154
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 50	0	50	100
Accounts payable	80,975	0	0	80,975
Salaries and benefits payable	5,452	0	0	5,452
Due to other governments	2,828	0	0	2,828
ISCAP warrants payable (Note 5)	221,000	0	0	221,000
ISCAP accrued interest payable (Note 5)	42	0	0	42
ISCAP unamortized premium	2,968	0	0	2,968
Deferred revenue:				
Succeeding year property tax	832,489	0	85,441	917,930
Total liabilities	1,145,804	0	85,491	1,231,295
Fund balances:				
Reserved for:				
Phase III	2,437	0	0	2,437
Early intervention	8,813	0	0	8,813
Debt service	0	0	39,096	39,096
Unreserved:				
General	587,716	0	0	587,716
Management	0	0	10,511	10,511
Capital Projects	0	158,870	0	158,870
Physical plant and equipment levy	0	0	6,705	6,705
Other special revenue purposes	0	0	10,711	10,711
Total fund balances	598,966	158,870	67,023	824,859
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,744,770	158,870	152,514	2,056,154

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 17)	\$	824,859
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		1,350,504
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.		(695)
Long-term liabilities, including revenue bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(230,000)</u>
Net assets of governmental activites (page 14)	\$	<u>1,944,668</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 952,367	145,569	69,939	1,167,875
Tuition	65,477	0	0	65,477
Other	43,811	8,591	86,944	139,346
State sources	1,253,081	0	0	1,253,081
Federal sources	129,141	0	0	129,141
Total revenues	<u>2,443,877</u>	<u>154,160</u>	<u>156,883</u>	<u>2,754,920</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,047,608	0	0	1,047,608
Special instruction	319,517	0	0	319,517
Other instruction	229,603	0	100,423	330,026
	<u>1,596,728</u>	<u>0</u>	<u>100,423</u>	<u>1,697,151</u>
Support services:				
Student services	4,178	0	0	4,178
Instructional staff services	52,201	0	0	52,201
Administration services	318,601	0	0	318,601
Operation and maintenance of plant services	205,693	0	52,097	257,790
Transportation services	156,367	0	0	156,367
	<u>737,040</u>	<u>0</u>	<u>52,097</u>	<u>789,137</u>
Other expenditures:				
Facilities acquisitions	0	96,369	64,890	161,259
Long-term debt:				
Principal	0	0	30,000	30,000
Interest and fiscal charges	0	0	9,393	9,393
AEA flowthrough	92,612	0	0	92,612
	<u>92,612</u>	<u>96,369</u>	<u>104,283</u>	<u>293,264</u>
Total expenditures	<u>2,426,380</u>	<u>96,369</u>	<u>256,803</u>	<u>2,779,552</u>
Excess(deficiency) of revenues over(under) expenditures	17,497	57,791	(99,920)	(24,632)
Other financing sources:				
Operating transfers in	0	0	47,629	47,629
Operating transfers out	0	(47,629)	0	(47,629)
Sale of equipment	440	0	0	440
Total other financing sources	<u>440</u>	<u>(47,629)</u>	<u>47,629</u>	<u>440</u>
Net change in fund balances	17,937	10,162	(52,291)	(24,192)
Fund balance beginning of year	581,029	148,708	119,314	849,051
Fund balance end of year	<u>\$ 598,966</u>	<u>158,870</u>	<u>67,023</u>	<u>824,859</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19) \$ (24,192)

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

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

Capital outlays	\$ 104,796	
Depreciation expense	<u>(107,894)</u>	(3,098)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 30,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 109

Changes in net assets of governmental activities (page 16) \$ 2,819

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	School Nutrition
ASSETS	
Inventories	\$ 2,456
TOTAL ASSETS	2,456
LIABILITIES	
Excess of warrants issued over bank balance	16,544
Salaries and benefits payable	23
Deferred revenue:	
Other	1,599
TOTAL LIABILITIES	18,166
NET ASSETS	
Unrestricted	(15,710)
TOTAL NET ASSETS	\$ (15,710)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 39,346
TOTAL OPERATING REVENUES	39,346
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	33,006
Benefits	4,338
Services	543
Supplies	51,945
Other	923
Depreciation	2,067
TOTAL OPERATING EXPENSES	92,822
OPERATING LOSS	(53,476)
NON-OPERATING REVENUES:	
State sources	1,476
Federal sources	52,558
TOTAL NON-OPERATING REVENUES	54,034
Change in net assets	558
Net assets beginning of year	(16,268)
Net assets end of year	\$ (15,710)

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 39,149
Cash received from miscellaneous	217
Cash payments to employees for services	(37,321)
Cash payments to suppliers for goods or services	(48,601)
Net cash used in operating activities	(46,556)
Cash flows from non-capital financing activities:	
State grants received	1,476
Federal grants received	50,815
Net cash provided by non-capital financing activities	52,291
Net increase in cash and cash equivalents	5,735
Cash and cash equivalents at beginning of year	(22,279)
Cash and cash equivalents at end of year	\$ (16,544)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (53,476)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,430
Depreciation	2,067
Increase in inventories	(585)
Decrease in accounts receivable	49
Decrease in accounts payable	(35)
Increase in salaries and benefits payable	23
Decrease in deferred revenue	(29)
Net cash provided by(used in) operating activities	\$ (46,556)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (16,544)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2005, the District received Federal commodities valued at \$5,430.	

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005 balances of interfund accounts receivable or payable have been recorded.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had certificates of deposits as follows:

	<u>Amortized Cost</u>
Certificates of deposit	<u>\$ 2,000</u>

The investments are valued at an amortized cost pursuant to Rule

2a-7 under the Investment Company Act of 1940.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Expendable Trust	General	\$ 50
Expendable Trust	Student Activity	50
Total		<u>\$ 100</u>

(4) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 47,629</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/05	6/30/06	36	0	0	0
2005-06A	6/30/04	6/30/05	221,979	47	221,000	42
Total			<u>\$ 222,015</u>	<u>47</u>	<u>221,000</u>	<u>42</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP

advance activity in the General Fund for the year ended June 30, 2005.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2005-06A	3.500%	3.903%

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	0	0	52,000
Total capital assets not being depreciated	52,000	0	0	52,000
Capital assets being depreciated:				
Buildings	2,391,795	64,890	0	2,456,685
Land improvements	176,282	0	0	176,282
Machinery and equipment	1,076,487	41,411	1,505	1,116,393
Total capital assets being depreciated	3,644,564	106,301	1,505	3,749,360
Less accumulated depreciation for:				
Buildings	1,233,157	67,851	0	1,301,008
Land improvements	88,141	8,813	0	96,954
Machinery and equipment	1,021,664	32,735	1,505	1,052,894
Total accumulated depreciation	2,342,962	109,399	1,505	2,450,856
Total capital assets being depreciated, net	1,301,602	(3,098)	0	1,298,504
Governmental activities capital assets, net	\$ 1,353,602	(3,098)	0	1,350,504
Business-type activities:				
Machinery and equipment	\$ 71,112	0	0	71,112
Less accumulated depreciation	69,045	2,067	0	71,112
Business-type activities capital assets, net	\$ 2,067	2,067	0	0

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 13,581
Support services:		
Administration		1,651
Operation and maintenance of plant		2,027
Transportation		15,476
		<u>32,735</u>
Unallocated depreciation		<u>76,664</u>
Total governmental activities depreciation expense		<u>\$ 109,399</u>
Business-type activities:		
Food service operations		\$ 2,067
Total business-type activities depreciation expense		<u>\$ 2,067</u>

(7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 260,000	0	30,000	230,000	35,000
Total	<u>\$ 260,000</u>	<u>0</u>	<u>30,000</u>	<u>230,000</u>	<u>35,000</u>

Bonded Debt

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

Year Ending June 30,	Bond Issue of February 1, 2003			
	Interest Rates	Principal	Interest	Total
2006	4.350	\$ 35,000	\$ 7,579	42,579
2007	2.850	35,000	6,318	41,318
2008	3.200	35,000	5,260	40,260
2009	3.500	40,000	4,000	44,000
2010	3.750	40,000	240	40,240
2011	4.000	45,000	900	45,900
Total		<u>\$ 230,000</u>	<u>24,297</u>	<u>254,297</u>

(8) 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 contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$71,785, \$75,392, and \$81,746 respectively, equal to the required contributions for each year.

(9) Risk Management

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

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-funded to fully-insured coverage. ISEBA is recovering shortfall through a combination of assessments, deficit recovery charges and administration cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$4,217 paid with the 2004-2005 premiums and 2% of the 2005-2006 premium will be paid along with the 2005-2006 premium, an amount that is unknown at this time. Since the program is now fully insured, there will be no additional assessments dues to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$210,863.

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

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

(10) 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 \$92,612 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.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the other expenditures functional program area exceeded the amount budgeted.

(12) Deficit Net Assets

The Proprietary Fund, School Nutrition Fund had a deficit net assets of \$15,710 at June 30, 2005.

REQUIRED SUPPLEMENTAL INFORMATION

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

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 1,372,698	39,346
State sources	1,253,081	1,476
Federal sources	129,141	52,558
Total revenues	2,754,920	93,380
Disbursements:		
Instruction	1,697,151	0
Support services	789,137	0
Non-instructional programs	0	92,822
Other expenditures	293,264	0
Total expenditures	2,779,552	92,822
Excess(deficiency) of receipts over(under) disbursements	(24,632)	558
Other financing sources, net	440	0
Excess(deficiency) of receipts over(under) disbursements	(24,192)	558
Balance beginning of year	849,051	(16,268)
Balance end of year	\$ 824,859	(15,710)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
1,412,044	1,414,859	1,414,859	(2,815)
1,254,557	1,317,959	1,317,959	(63,402)
181,699	266,000	266,000	(84,301)
<u>2,848,300</u>	<u>2,998,818</u>	<u>2,998,818</u>	<u>(150,518)</u>
1,697,151	1,937,000	1,937,000	239,849
789,137	975,000	975,000	185,863
92,822	100,000	100,000	7,178
293,264	259,915	259,915	(33,349)
<u>2,872,374</u>	<u>3,271,915</u>	<u>3,271,915</u>	<u>399,541</u>
(24,074)	(273,097)	(273,097)	(249,023)
440	0	0	(440)
(23,634)	(273,097)	(273,097)	(249,463)
832,783	721,761	721,761	111,022
<u>809,149</u>	<u>448,664</u>	<u>448,664</u>	<u>360,485</u>

SOUTH PAGE 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2005, disbursements in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
ASSETS							
Cash and pooled investments	\$ 9,057	10,319	6,112	342	25,830	39,096	64,926
Receivables:							
Property tax:							
Current year delinquent	1,454	0	593	0	2,047	0	2,047
Succeeding year	65,000	0	20,441	0	85,441	0	85,441
Interfund	0	0	0	100	100	0	100
TOTAL ASSETS	\$ 75,511	10,319	27,146	442	113,418	39,096	152,514
LIABILITIES AND FUND EQUITY							
Liabilities:							
Interfund payable	\$ 0	50	0	0	50	0	50
Deferred revenue:							
Succeeding year property tax	65,000	0	20,441	0	85,441	0	85,441
	65,000	50	20,441	0	85,491	0	85,491
Fund equity:							
Fund balances:							
Reserved for:							
For Debt Service	0	0	0	0	0	39,096	39,096
Unreserved:							
Undesignated	10,511	10,269	6,705	442	27,927	0	27,927
Total fund balances	10,511	10,269	6,705	442	27,927	39,096	67,023
TOTAL LIABILITIES AND FUND EQUITY	\$ 75,511	10,319	27,146	442	113,418	39,096	152,514

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 49,682	0	20,257	0	69,939	0	69,939
Other	0	86,418	0	52	86,470	474	86,944
TOTAL REVENUES	49,682	86,418	20,257	52	156,409	474	156,883
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	100,423	0	0	100,423	0	100,423
Support services:							
Operation and maintenance of plant services	52,097	0	0	0	52,097	0	52,097
Other expenditures:							
Facilities and acquisitions	0	0	64,890	0	64,890	0	64,890
Long-term debt:							
Principal	0	0	0	0	0	30,000	30,000
Interest and fiscal charges	0	0	0	0	0	9,393	9,393
TOTAL EXPENDITURES	52,097	100,423	64,890	0	217,410	39,393	256,803
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,415)	(14,005)	(44,633)	52	(61,001)	(38,919)	(99,920)
OTHER FINANCING SOURCES:							
Transfer in	0	0	0	0	0	47,629	47,629
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,415)	(14,005)	(44,633)	52	(61,001)	8,710	(52,291)
FUND BALANCE BEGINNING OF YEAR	12,926	24,274	51,338	390	88,928	30,386	119,314
FUND BALANCE END OF YEAR	\$ 10,511	10,269	6,705	442	27,927	39,096	67,023

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,721	959	457	2,223
Vocal	1,810	100	0	1,910
Instrumental	(178)	535	706	(349)
Football	783	101	946	(62)
Baseball	0	261	45	216
Athletics	(919)	11,914	18,555	(7,560)
Weightlifting Club	572	438	324	686
Girls Softball Club	318	0	0	318
Gate Change	(327)	6,228	6,026	(125)
General Student Activity	1,198	1,108	2,261	45
Pop Machine	4,837	13,301	17,809	329
Elementary Carnival	7,315	8,529	13,599	2,245
Seniors	(230)	0	0	(230)
Class of 2004	649	0	0	649
Class of 2005	2,219	1,091	3,154	156
Class of 2006	(2,746)	13,809	8,603	2,460
Class of 2007	283	10	129	164
Class of 2008	226	23	100	149
Class of 2009	130	353	1	482
Class of 2010	95	0	0	95
Class of 2011	0	0	32	(32)
Annual	(7,493)	3,747	4,124	(7,870)
National Honor Society	2,198	2,935	1,624	3,509
Cheerleaders	692	2,532	2,411	813
Drill Team	463	877	918	422
Student Council	778	816	1,399	195
FCCLA	35	0	281	(246)
FFA	3,929	10,646	11,226	3,349
Science Trip	259	0	0	259
MS Student Council	1,971	871	495	2,347
Spanish Club	120	0	113	7
Washington DC Trip	0	0	220	(220)
Library	1,067	1,968	1,727	1,308
Student Restaurant	(54)	0	0	(54)
Padlocks	52	60	0	112
Computer Tech	135	60	0	195
Booster Club	1,873	2,473	3,138	1,208
I.T. Club	493	0	0	493
Fountain Pop	0	673	0	673
Total	\$ 24,274	86,418	100,423	10,269

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,167,875	1,159,197	1,099,361	915,915
Tuition	65,477	51,912	72,060	97,251
Other	139,346	166,910	157,174	189,510
Intermediate sources	0	0	4,390	0
State sources	1,253,081	1,302,959	1,307,777	1,390,786
Federal sources	129,141	489,953	167,145	84,960
Total	\$ 2,754,920	3,170,931	2,807,907	2,678,422
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,047,608	1,015,036	974,387	1,020,006
Special instruction	319,517	325,089	347,420	341,535
Other instruction	330,026	282,762	294,232	291,943
Support services:				
Student services	4,178	21,669	98,780	93,188
Instructional staff services	52,201	21,005	22,690	20,926
Administration services	318,601	348,487	332,968	302,556
Operation and maintenance of plant services	257,790	213,837	193,204	243,654
Transportation services	156,367	84,470	83,475	94,670
Other expenditures:				
Facilities acquisitions	161,259	534,691	174,018	163,915
Long-term debt:				
Principal	30,000	30,000	0	0
Interest	9,393	10,598	3,800	0
AEA flow-through	92,612	94,165	100,403	103,018
Total	\$ 2,779,552	2,981,809	2,625,377	2,675,411

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
South Page 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 South Page 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 October 28, 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 South Page Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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 item I-A-05 is a material weakness.

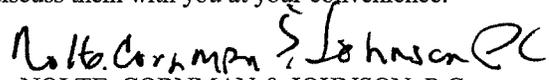
Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Page 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 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 South Page Community School District and other parties to whom South Page Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 28, 2005

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-05 Student Activity Fund - We noted during our audit that the Student Activity fund included old class accounts and a padlock account.

Recommendation - The District should move the money in the old class accounts to another account conforming to the Uniform Financial Accounting Manual for Iowa LEAs and AEAs. The padlock account may be more appropriately accounted for in the General Fund.

Response - We will begin reviewing "old class accounts" with the intent of conforming to the Uniform Financial Accounting Manual for LEAs and AEAs.

Conclusion - Response accepted.

I-C-05 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - We will identify the person responsible to reconcile bank statements in the general ledger on a timely basis and provide him/her the opportunity to be trained and have the time necessary to make this duty part of his/her monthly duty.

Conclusion - Response accepted.

I-D-05 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

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

Response - We will provide the person(s) responsible for coding of bills an opportunity to understand the recommendation made by this audit. We will provide training and time

necessary to make this duty part of the responsible employee's regular duty.

Conclusion - Response accepted.

- I-E-05 Employees Who Officiate - We noted during our audit that employees officiate athletic events for the school district and the wages earned from officiating are not run through payroll and are therefore not taxed.

Recommendation - Wages for District employees who officiate athletic events should be run through the District's payroll and be subject to taxation.

Response - We were not aware that an employee did officiate a game. We have some employee's spouses officiate games and suggest that such could have been the case noted during this audit. We agree with the auditors findings and will ensure that any employee wages earned from officiating are run through payroll and subject to taxation.

Conclusion - Response accepted.

- I-F-05 Travel Allowance - We noted during our audit that the Superintendent received a travel allowance that was IPERS taxed and should not have been.

Recommendation - The District should review its policies and procedures with regards to payroll to ensure that wages paid by the District are being properly handled.

Response - The Superintendent requested his allowance be subject to taxation and the same were also IPERS taxed. We will discontinue the practice of including this allowance IPERS tax while maintaining the other taxes as requested by that employee.

Conclusion - Response accepted.

- I-G-05 Teacher Mentoring - We noted during our audit that teacher mentoring money that was paid to teachers was not subject to IPERS taxation and should have been.

Recommendation - The District should review its policies and procedures with regards to payroll to ensure that wages paid by the District are being properly handled.

Response - We will insure that IPERS taxable wages are appropriately identified and reported. It is the opinion of the district that some training may need to be provided to the responsible staff member(s) to ensure that IPERS taxable wages errors may be limited. We will communicate to the appropriate staff the policies and procedures with regard to ensure that wages paid by the District are being properly handled.

Conclusion - Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005.

Recommendation - The District should increase their depository limits.

Response - We will contact the effected institutions and encourage the board of directors to set depository limits which reflect the history of account statements for South Page Community School District.

Conclusion - Response accepted.

- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the amended certified budget amount in the other expenditures functional area.

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.

Response - It is the practice of the district to budget disbursements at the maximum authorized spending authority for the General Fund. The district has managed to control all fund expenditures through a "line-item budget" process. We will continue to use the "line-item budget" and strive to reflect the maximum spending authority in the budget so to obviate our exceeding the other expenditures functional area.

Conclusion - Response accepted.

- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, we noted during our audit that the District overpaid certified staff \$8,449.62 in salary and benefits. The overpayment did not appear to be authorized by the District.

Recommendation - The District should collect the above monies back from the teachers for the unauthorized overpayment. In addition, the District should review procedures in place for identifying and correcting payroll mistakes.

Response - We have communicated with existing staff and worked out a pay-back schedule that will see the majority of the overpayment reimbursed to the district. We have employed the district's attorney to communicate with those individuals who were overpaid and no longer working for the district.

Conclusion - Response accepted.

- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. Travel advances to District officials or employees were noted, however advances were included in taxable wages. (See comment I-F-05)

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

Name, Title and Business Connection	Transaction Description	Amount
Jordan Butt, Teacher Spouse performed various services	Services	\$37
Connie Stevens, Associate Spouse owns Stevens Brothers	Services	\$56,818

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

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

II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response - We will follow board policy and advise the appropriate staff of his/her responsibility to publish board meeting minutes in a timely manner.

Conclusion - Response accepted.

II-H-05 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was overstated by 1.0 students. Also, the number of students which were open enrolled into the District was understated by 1.0 students.

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

Response - We note that the enrollment numbers were correct as the overstated student was offset by the understated student. We communicated the error to Su McCurdy, Iowa DE and was advised that our auditor should contact the Department of Management so that the official inquiry can be made by Lisa Oakley, Iowa Department of Management.

Conclusion - Response accepted.

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

II-J-05 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - We will comply with this recommendation in the future.

Conclusion - Response accepted.

II-K-05 Financial Condition - We noted during our audit that the Student Activity Fund included accounts with negative balances. We also noted that the Proprietary Fund, School Nutrition Fund had deficit net assets of \$15,710 at June 30, 2005.

Recommendation - The District should monitor these deficit accounts and ensure that purchases are not made without the sufficient funds to pay for them.

Response - We will investigate the reporting of negative balances and ensure that all employees understand that negative balances are not authorized.

Conclusion - Response accepted.